



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA  
Chief Executive Officer

November 12, 2010

To: Supervisor Gloria Molina, Chair  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

Wendy L. Watanabe  
Auditor-Controller

Mark J. Saladino  
Treasurer and Tax Collector

Board of Supervisors  
GLORIA MOLINA  
First District

MARK RIDLEY-THOMAS  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

## **MOTION REGARDING HIRING AN INDEPENDENT AUDIT FIRM TO ANALYZE ACCOUNTING AND ACTUARIAL METHODOLOGIES USED BY LOS ANGELES COUNTY EMPLOYEESS RETIREMENT ASSOCIATION AND LOS ANGELES COUNTY RETIREES INSURANCE BENEFIT PROGRAM**

On November 9, 2010, Supervisor Antonovich introduced a motion directing the Auditor-Controller to hire an independent firm which specializes in actuarial studies to report back to the Board in 30 days, providing an analysis and opinion with respect to the accounting and actuarial methodologies being used by the Los Angeles County Employees Retirement Association (LACERA) pension fund and the Los Angeles County Retiree Health Insurance Benefit Program to calculate the present value of the underfunded LACERA pension fund and Los Angeles County Retiree Insurance Benefit Program. The Auditor-Controller's analysis was to include analysis of the advice and recommendations that each fund's actuaries and accounting firms have offered to respective staffs and confirmation that such sound advice is being followed by all responsible parties.

The motion cited the Governmental Accounting Standards Board (GASB) heightened disclosure requirements to provide taxpayer and institutional investors with more useful

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and accurate financial data. The motion also discussed the Securities and Exchange Commission's (SEC) increased focus on transparency, reliability, and disclosure. The motion identified that it would be prudent to double check the standards and practices that the County uses in developing financial statements, calculating underfunded healthcare and pension liabilities, ensuring there are no material errors, omissions or misstatements, and employing best practices in how these numbers are developed.

This Office met with the Auditor-Controller and Treasurer and Tax Collector (TTC) to review the concerns included in the motion. We also received input from LACERA and County Counsel. We are pleased to report that LACERA and the County already have procedures and processes in place that provide the independent "double check" and the actuarial audit expertise cited in the motion. In addition, the County has an extensive process for an annual independent financial audit and full disclosure of the County's financial condition, including unfunded liabilities. These measures are described more fully below, including a description of the work done by five separate independent companies. Since LACERA and the County already make extensive use of independent consultants in this area, we do not believe that an additional audit is warranted, particularly in light of limited County resources. However, if the Board decides to have another audit, the cost is estimated to be approximately \$150,000. Given that the Auditor Controller, Chief Executive Office, and LACERA are involved in preparing the annual financial statements and valuations and should not audit themselves, a separate department such as County Counsel should be directed to handle this audit.

### **Pension Fund Studies and Reports**

LACERA is responsible for the pension plan's annual financial report, retirement benefit valuation and, jointly, the retiree healthcare valuation (Other Postemployment Benefit (OPEB) valuation):

#### **Annual Financial Report:**

- LACERA's financial and accounting staff are responsible for producing the pension plan's Comprehensive Annual Financial Report (CAFR).
- Under California Government Code Section §31593, the CAFR shall be audited on an annual basis. The CAFR audit is performed by Brown Armstrong Accountancy Corporation, an independent accounting firm specializing in public pension audit services.

- The annual audit is coordinated by LACERA's Internal Audit Division and reviewed by a joint Audit Committee comprised of Board of Investment and Board of Retirement members.
- The CAFR is further reviewed by the nationally recognized trade association, the Government Finance Officers Association. LACERA's CAFR has been recognized by the Government Finance Officers Association for excellence in financial reporting on an annual basis since 1990.
- The CAFR and audit report are public documents and available on the LACERA website.

#### Retirement Benefit Valuation:

- Under California Government Code Section §31453, the retirement system shall perform an actuarial valuation at least once every three years. To closely monitor the system's funding progress, the Board of Investments requires annual retirement benefit valuations.
- The annual retirement benefit valuation is performed by Milliman, one of the nation's largest independent actuarial and consulting firms.
- Although not required by law, every third year in conjunction with the review of plan methodologies and assumptions, the retirement benefit valuation and experience study is subject to an actuarial audit.
- The retirement benefit valuation and experience study audit is performed by The Segal Company, an actuarial and consulting firm providing benefit and human resources consulting for multiemployer trust funds and public sector organizations.
- The retirement benefit valuation and audit reports are public documents. The retirement benefit valuation is available on the LACERA website and the respective audit report is available upon request.

#### Retiree Healthcare Program Valuation:

- The Retiree Healthcare Program is included in the broader OPEB valuation. This valuation is a joint effort between LACERA's actuarial consulting firm, Milliman, the County of Los Angeles' actuarial consulting firm, Buck Solutions, and Service Employees International Union's (SEIU) actuarial consulting firm, Rael Letson.

- This valuation, performed on a biennial basis as required for annual financial report disclosure guidelines, provides the numbers for the LACERA and County CAFR's OPEB disclosures. The OPEB valuation is performed by Milliman in accordance with GASB requirements and established actuarial standards and practices.
- Although not required by State law, LACERA retains an independent audit actuary, The Segal Company, to audit the OPEB valuation on a periodic basis to ensure the integrity of the program.
- The OPEB valuation and audit reports are public documents. The OPEB valuation is available on the LACERA website and the respective audit report is available upon request.

LACERA states that it regularly submits reports to nationally recognized trade associations for their critique and comment. The Public Pension Coordinating Council regularly awards LACERA the Public Pension Standards Award in recognition of meeting professional standards for plan design and administration.

Our Office carefully reviews the results of the above actuarial valuations and uses Buck Solutions to assist in this effort. As noted above, our Office has directed Buck to work collaboratively with Milliman to review procedures and assumptions used for the OPEB work. Currently, our Office also uses Buck Solutions for assistance with analyzing LACERA's investment return assumption – the most significant economic assumption affecting the calculation of pension liabilities.

### **County Financial Reporting**

The Auditor-Controller is responsible for preparing the County's financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The GAAP statements are compliant with all GASB requirements and an independent auditor attests to the County's compliance with these requirements. For the past 28 years, the County has received a "clean" opinion from the independent auditor for its financial statements and has been awarded a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. The Auditor-Controller is currently preparing the County's financial statements for fiscal year (FY) 2009-10 and the most recent audited financial statements are available for FY 2008-09.

Under current GASB Statements Nos. 27 and 45, there are extensive pension and OPEB accounting and disclosure requirements. For the County's pension and OPEB

benefits, the GASB requires the County to account for and disclose information in the following areas:

- Description of the plan and the plan benefits
- Funding policies
- Annual cost of the benefits
- Funded Status and Funding Progress
- Actuarial Methods and Assumptions
- Schedule of Funding Progress

Attachment I is a copy of the relevant disclosures in this area, as presented in the County's most recently issued financial statements for the year ended June 30, 2009.

### **Disclosure**

The County goes to great lengths to fully disclose its financial condition. Disclosure on bond deals begins before bonds are ever issued and ends five years after the bonds have been fully paid. Under federal securities laws and more specifically SEC Rule 15(c)(2)(12) (the Rule) the County is subject to what is called continuing disclosure. TTC indicates that the County has never failed to report a "material event" as required under the Rule.

The County has an effective process in place for handling its disclosure responsibilities. The responsibility lies primarily with TTC, which works closely with County Counsel, the Chief Executive Office (CEO), and the Auditor-Controller. At least once a year (when the Annual Tax and Revenue Note Financing is conducted), the County's disclosure document (Appendix A) is extensively reviewed and updated. As part of this process County Counsel retains, on an annual basis, disclosure counsel. For the last several years the firm of Hawkins, Delafield & Wood LLP (Hawkins) has been the disclosure counsel. Hawkins has worked for and with the County on finance deals for well over 12 years and thus has a strong knowledge of how the County works. Attached is the major document which provides extensive financial disclosure to ratings agencies and the public. Attachment II is Appendix A from the most recent bond issue, which was successfully sold on November 9, 2010.

**Governmental Accounting Standards Board Preliminary Views—Issued June 2010**

GASB has published its Preliminary Views (PV) on *Pension Accounting and Financial Reporting by Employers*. In the PV, the GASB takes tentative positions on a number of issues related to pension accounting by employers. The most significant, and controversial, of these positions is the proposal to take the currently disclosed unfunded pension benefit obligation and require its placement on the County's balance sheet (Statement of Net Assets). The PV is a due-process document that solicits comments and testimony from all interested parties. The next step after the PV process would be for GASB to issue what is known as an "Exposure Draft," which will also be subject to comments, testimony, due process, and revision. The GASB deliberates the various issues, makes changes where appropriate, and at the end of the process, a final vote is taken to establish a final accounting standard. Due to the significance of this issue and its technical complexities, a final standard is not likely to be issued and required for implementation for at least 2-3 years. At such time, the County would be required to modify its pension accounting and disclosures to conform to the final GASB Statement. As discussed in the section on County Financial Reporting, there are significant existing financial accounting and reporting requirements related to pensions and OPEB for which the County is in full compliance.

If you have any questions, please contact Ellen Sandt, Deputy Chief Executive Officer at (213) 974-1186 or Mark J. Saladino, Treasurer and Tax Collector at (213) 974-2101.

WTF:EFS:cg

Attachments

c: County Counsel  
Executive Office, Board of Supervisors  
Auditor-Controller  
Los Angeles County Employees Retirement Association  
Treasurer and Tax Collector

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

7. PENSION PLAN

Plan Description

The County pension plan is administered by the Los Angeles County Employees Retirement Association (LACERA) which was established under the County Employees' Retirement Law of 1937. It provides benefits to employees of the County and the following additional entities that are not part of the County's reporting entity:

Little Lake Cemetery District  
Local Agency Formation Commission  
Los Angeles County Office of Education  
South Coast Air Quality Management District

New employees of the latter two agencies are not eligible for LACERA benefits.

LACERA is technically a cost sharing, multi-employer defined benefit plan. However, because the non-County entities are immaterial to its operations the disclosures herein are made as if LACERA was a single employer defined benefit plan. LACERA provides retirement, disability, death benefits and cost of living adjustments to eligible members. Benefits are authorized in accordance with the California Constitution, the County Employees' Retirement Law, the bylaws, procedures and policies adopted by LACERA's Boards of Retirement and Investments and Board of Supervisors' resolutions.

LACERA issues a stand-alone financial report which is available at its offices located at Gateway Plaza, 300 N. Lake Avenue, Pasadena, California 91101-4199.

Funding Policy

LACERA has seven benefit tiers known as A, B, C, D and E, and Safety A and B. All tiers except E are employee contributory. Tier E is employee non-contributory. New general employees are eligible for tiers D or E at their discretion. New safety members are eligible for only Safety B. Rates for the tiers are established in accordance with State law by LACERA's Boards of Retirement and Investments and the County Board of Supervisors.

The following employer rates were in effect for 2008-2009:

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
General Members	17.64%	10.79%	10.22%	10.79%	10.67%
Safety Members	28.16%	20.54%			

The rates were determined by the actuarial valuation performed as of June 30, 2007 and are the same as those used to calculate the annual required contribution (ARC).

Employee rates vary by the option and employee entry age from 5% to 15% of their annual covered salary.

During 2008-2009, the County contributed the full amount of the ARC.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

7. PENSION PLAN-Continued

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation for 2008-2009, computed in accordance with GASB 27, were as follows (in thousands):

Annual required contribution (ARC):		
County		\$ 847,055
Non County entities		116
Total ARC		847,171
Interest on net pension obligation (asset)		(5,686)
Adjustment to ARC		48,908
Annual pension cost		890,393
Contributions made:		
County		847,055
Non County entities		116
Total contributions		847,171
Cost in excess of contributions		43,222
Net pension obligation (asset), July 1, 2008		(146,723)
Net pension obligation (asset), June 30, 2009		<u>\$ (103,501)</u>

<u>Fiscal Year Ended</u>	<u>Trend Information (in thousands)</u>		<u>Net Pension Obligation (Asset)</u>
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	
June 30, 2007	\$ 842,896	89.2%	\$ (176,440)
June 30, 2008	858,347	96.5%	(146,723)
June 30, 2009	890,393	95.1%	(103,501)

Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the funded ratio was determined to be 94.5%. The actuarial value of assets was \$39.7 billion, and the actuarial accrued liability (AAL) was \$42.0 billion, resulting in an unfunded AAL of \$2.3 billion. The covered payroll was \$6.1 billion and the ratio of the unfunded AAL to the covered payroll was 37.8%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The annual required contribution was calculated using the entry age normal method. The most recent actuarial valuation also assumed an annual investment rate of return of 7.75%, and projected salary increases ranging from 4.26% to 10.24%, with both assumptions including a 3.5% inflation factor. Additionally, the valuation assumed post-retirement benefit increases of between 2% and 3%, in accordance with the provisions of the specific benefit options. The actuarial value of assets was determined utilizing a three-year smoothed method based on the difference between the expected market value and the actual market value of assets as of the valuation date.



COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

7. PENSION PLAN-Continued

Actuarial Methods and Assumptions-Continued

The County contribution rate (effective for the 2008-2009 fiscal year, as determined by the June 30, 2007, actuarial valuation) was equal to 1.99% of payroll (using the level percentage of payroll amortization method, over a 30-year open period) plus the normal cost rate of 10.09%, for a total rate of 12.08% of payroll.

LACERA uses the accrual basis of accounting. Member and employer contributions are recognized in the period in which the contributions are due, and benefits and refunds are recognized when payable in accordance with the terms of each plan.

Because it is negative, the net pension obligation represents an asset. Accordingly, a pension asset, "Net Pension Obligation," has been recognized in the government-wide financial statements and in the proprietary funds financial statements.

Pension Obligation Bonds and Certificates

During 1994-95 the County sold approximately \$1,965,230,000 in par value pension bonds and utilized the proceeds to fund LACERA. A portion of the bonds (\$1,365,230,000) were fixed rate. The remaining \$600,000,000 were variable rate bonds, which were restructured into fixed rate bonds during 1995-96. In conjunction with the 1994-95 issuance of the pension bonds, the County entered into debt service advance agreements. Under the agreements, the County received \$79,022,000 in exchange for future interest that the County would have earned on deposits with the trustee between the time the County is required to pay debt service payments to the trustee and the time the trustee pays the bondholders. These proceeds have been recorded as unearned revenue on the government-wide statements and deferred revenue on the fund-based statements, and are being amortized over the life of the bonds on the basis of annual debt service requirements. As of June 30, 2009, the unamortized balance was \$1,748,000.

For the year ended June 30, 2009, the combined principal and interest payments for the bonds were \$320,338,000. For governmental activities, the total debt service was \$237,735,000. For business-type activities, the total debt service was \$82,603,000. At June 30, 2009, the total outstanding principal on bonds was \$653,634,000, including accretions of \$417,943,000 on deep discount bonds. The bonds have interest rates varying from 7.40 % to 9.19%.

The following is a summary of future funding requirements for all outstanding pension bonds and certificates (in thousands):

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 87,116	\$ 178,557	\$ 30,089	\$ 62,403
2011	87,801	187,956	30,685	65,688
Total	<u>174,917</u>	<u>\$ 366,513</u>	<u>60,774</u>	<u>\$ 128,091</u>
Accretions	<u>310,175</u>		<u>107,768</u>	
Total Pension Bonds Payable	<u>\$ 485,092</u>		<u>\$ 168,542</u>	

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

8. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

LACERA administers a cost sharing, multi-employer defined benefit Other Postemployment Benefit (OPEB) plan on behalf of the County. As indicated in Note 7-Pension Plan, because the non-County entities are immaterial to its operations, the disclosures herein are made as if LACERA was a single employer defined benefit plan.

In April 1982, the County of Los Angeles adopted an ordinance pursuant to Government Code Section 31691 which provided for a health insurance program and death benefits for retired employees and their dependents. In 1994, the County amended the agreements to continue to support LACERA's retiree insurance benefits program regardless of the status of active member insurance.

LACERA issues a stand-alone financial report that includes the required information for the OPEB plan. The report is available at its offices located at Gateway Plaza, 300 North Lake Avenue, Pasadena, California 91101-4199.

Funding Policy

In 1996-1997, the County entered into an agreement with LACERA to establish an Internal Revenue Code Section 401(h) Account to use in connection with the County's payment of retiree health care costs. Section 401(h) permits the establishment of a separate account (a "401(h) Account") to fund retiree healthcare benefits, and limits contributions to the 401(h) Account to 25% of aggregate contributions to LACERA. This agreement also permits the use of LACERA excess earnings reserves to reduce the County's funding requirements for these benefits.

Health care benefits earned by County employees are dependent on the number of completed years of retirement service credited to the retiree by LACERA upon retirement; it does not include reciprocal service in another retirement system. The benefits earned by County employees range from 40% of the benchmark plan cost with ten completed years of service to 100% of the benchmark plan cost with 25 or more completed years of service. In general, each completed year of service after ten years reduces the member's cost by 4%. Service includes all service on which the member's retirement allowance was based.

Health care benefits include medical, dental, vision, Medicare Part B reimbursement and death benefits. In addition to these retiree health care benefits, the County provides long-term disability benefits to employees, and these benefits have been determined to fall within the definition of OPEB, per GASB 45. These long-term disability benefits provide for income replacement if an employee is unable to work because of illness or injury. Specific coverage depends on the employee's employment classification, chosen plan and, in some instances years of service.

A trust fund has not been established for the retiree health benefits or the long-term disability benefits. The County's contribution is on a pay-as-you-go basis. During the 2008-2009 fiscal year, the County made payments to LACERA totaling \$365 million for retiree health care benefits. Included in this amount was, \$31.6 million for Medicare Part B reimbursements and \$7 million in death benefits. Additionally, \$35.6 million was paid by member participants. The County also made payments of \$32 million for long-term disability benefits.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Annual OPEB Cost and Net OPEB Obligation (including Long-Term Disability)

The County's Annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The OPEB cost and OPEB obligation were determined by the OPEB health care actuarial valuation as of July 1, 2006, and the OPEB long-term disability actuarial valuation as of July 1, 2007. The following table shows the ARC, the amount actually contributed and the net OPEB Obligation (in thousands):

Annual OPEB required contribution (ARC)	\$ 1,615,272
Interest on Net OPEB obligation	61,707
Adjustment to ARC	<u>(48,485)</u>
Annual OPEB cost (expense)	1,628,494
Less: Contributions made (pay-as-you-go)	<u>397,259</u>
Increase in Net OPEB Obligation	1,231,235
Net OPEB obligation, July 1, 2008	<u>1,234,148</u>
Net OPEB obligation, June 30, 2009	<u>\$ 2,465,383</u>

<u>Fiscal Year Ended</u>	<u>Trend Information (in thousands)</u>		<u>Net OPEB Obligation</u>
	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	
June 30, 2008	\$ 1,615,272	23.6%	\$ 1,234,148
June 30, 2009	1,628,494	24.4%	2,465,383

Funded Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date for OPEB health care benefits, the funded ratio was 0%. The actuarial value of assets was zero. The actuarial accrued liability (AAL) was \$20.9 billion, resulting in an unfunded AAL of \$20.9 billion. The covered payroll was \$6.1 billion and the ratio of the unfunded AAL to the covered payroll was 341.31%.

As of July 1, 2009, the most recent actuarial valuation date for OPEB long-term disability benefits, the funded ratio was 0%. The actuarial value of assets was zero. The actuarial accrued liability (AAL) was \$951.8 million, resulting in an unfunded AAL of \$951.8 million. The covered payroll was \$6.1 billion and the ratio of the unfunded AAL to the covered payroll was 15.54%.

The schedules of funding progress are presented as RSI following the notes to the financial statements. These RSI schedules present multi-year trend information. However, there is no data available prior to the two years presented.

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continued revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

While the actuarial valuations for OPEB health care and OPEB long-term disability benefits were prepared by two different firms, they both used the same methods and assumptions, with one exception noted below. The projected unit credit cost method was used. Both valuations assumed an annual investment rate of return of 5%, an inflation rate of 3.5% per annum and projected general wage increases of 4%. The increases in salary due to promotions and longevity do not affect the amount of the OPEB program benefits. An actuarial asset valuation was not performed. Finally, the OPEB valuation report used the level percentage of projected payroll over a rolling (open) 30-year amortization period. The OPEB Long Term Disability valuation report used the level dollar of projected payroll over a rolling (open) 30-year amortization period. The most recent actuarial valuations for OPEB health care benefits (July 1, 2008) and OPEB long-term disability benefits (July 1, 2009) were each adjusted to reflect projected salary increases of 4%, from the former actuarial assumption of 3.75%.

The healthcare cost trend initial and ultimate rates, based on the June 30, 2006 actuarial valuation, are as follows:

	<u>Initial Year</u>	<u>Ultimate</u>
LACERA Medical Under 65	6.50%	5.00%
LACERA Medical Over 65	15.00%	5.25%
Firefighters Local 1014 (all)	11.50%	5.00%
Part B Premiums	11.50%	5.00%
Dental (all)	7.20%	3.00%

REQUIRED SUPPLEMENTARY INFORMATION  
(Unaudited)

Los Angeles County Employees Retirement Association  
Schedule of Funding Progress-Pension Plan  
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/06	\$32,819,725	\$ 36,258,929	\$ 3,439,204	90.5%	\$5,205,804	66.1%
06/30/07	37,041,832	39,502,456	2,460,624	93.8%	5,615,736	43.8%
06/30/08	39,662,361	41,975,631	2,313,270	94.5%	6,123,888	37.8%

REQUIRED SUPPLEMENTARY INFORMATION  
(Unaudited)  
Schedule of Funding Progress-Other Post Employment Benefits  
(Dollar amounts in thousands)

Retiree Health Care(1)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2006	\$ 0	\$ 20,301,800	\$ 20,301,800	0%	\$ 5,205,804	389.98%
July 1, 2008	0	20,901,600	20,901,600	0%	6,123,888	341.31%

Long-Term Disability(1)

July 1, 2007	\$ 0	\$ 929,265	\$ 929,265	0%	\$ 5,615,736	16.55%
July 1, 2009	0	951,797	951,797	0%	6,123,888	15.54%

(1) There was no data available prior to the first valuation.

# THE COUNTY OF LOS ANGELES

## Information Statement

### GENERAL INFORMATION

The County of Los Angeles (the "County") was established by an act of the California State Legislature on February 18, 1850 as one of California's original 27 counties. Located in the southern coastal portion of the State, the County covers 4,084 square miles and includes 88 incorporated cities as well as many unincorporated communities. With an estimated population of 10.4 million in 2010, the County is the most populous of the 58 counties in California and has a larger population than 43 states. As required by the County Charter, County ordinances, and State or Federal mandates, the County is responsible for providing government services at the local level for activities including public welfare, health and justice, the maintenance of public records, and administration of ad valorem taxes.

The County provides services such as law enforcement and public works to cities within the County on a cost-recovery contract basis. The County also provides municipal services to unincorporated areas of the County and operates recreational and cultural facilities in these locations.

### COUNTY GOVERNMENT

The County of Los Angeles is governed by a five-member Board of Supervisors, each of whom is elected by residents from their respective supervisorial districts. Supervisors serve four-year alternating terms with elections held every two years. The other elected officials of the County are the Assessor, District Attorney and Sheriff. On March 5, 2002, County voters approved two charter amendments that introduced mandatory term limits for the elected officials of the County. As a result, each Supervisor is now limited to serving three consecutive terms commencing as of December 2002.

On March 27, 2007, the Board of Supervisors amended the County Code by adopting the Interim Governance Structure Ordinance. This new governance structure delegates to the Chief Executive Office (the "CEO") additional responsibilities for the administration of the County, including the oversight, evaluation and recommendation for appointment and removal of specific Department Heads and County Officers. The five departments that continue to report directly to the Board of Supervisors (rather than to the CEO) are the Fire Department, Auditor-Controller, County Counsel, Executive Office of the Board of Supervisors, and the CEO. The change in administrative structure was designed to improve the operational efficiency of County governance. The Board of Supervisors has retained the exclusive responsibility for establishing County policy, regulations, and organizational directions.

### COUNTY SERVICES

The vast majority of the County population resides in the 88 incorporated cities located within its boundaries. The County provides some municipal services to these cities on a contract basis under the Contract Services Plan. Established in 1954, this plan is designed to allow cities to contract for municipal services without incurring the cost of creating numerous city departments and facilities. Under the Contract Services Plan, the County will provide various municipal services to a city on a cost recovery basis at the same level of service as provided in unincorporated areas, or at any higher level the city may choose.

Over one million people live in the unincorporated areas of the County of Los Angeles. For the residents of these areas, the County Board of Supervisors is their "City Council," and County departments provide all of their municipal services, including law enforcement, fire protection, land use and zoning, building and business permits, road maintenance, animal care and control, and public libraries. Beyond the unincorporated areas, the County of Los Angeles provides a wide range of services to all citizens who live within its boundaries.

Many of the County's core service functions are required by the County Charter, County ordinances, or by State or Federal mandate. State and Federal mandated programs, primarily in the social services and health care areas, are required to be maintained at certain minimum levels, which can limit the County's flexibility in these areas.

#### *Health and Welfare*

Under State Law, the County is required to administer Federal and State health and welfare programs, and to fund a portion of the program costs with local revenues, such as sales and property taxes. Health care services are provided through a network of County hospitals and comprehensive health centers. In addition, the County provides public health, immunization, environmental and paramedic services, and is responsible for the design and establishment of the county-wide emergency trauma network, which includes two medical centers operated by the County. The County also has responsibility for providing and partially funding mental health, drug and alcohol prevention, and various other treatment programs. These services are provided through County facilities and a network of contract providers.

While many of the patients receiving services at County facilities are indigent or covered by Medi-Cal (a State health insurance program), the County health care delivery system has been designed with the objective of providing quality health care services to the entire population. Through its affiliation with two medical schools and by operating its own school of nursing, the County Department of Health Services ("DHS") is a major supplier of health care professionals throughout California.

#### *Disaster Services*

The County operates and coordinates an entire disaster recovery network that is responsible for providing critical services in response to floods, fires, storms, earthquakes, and other emergency events. Centralized command centers can be established at any Sheriff station or in mobile trailers throughout the County. To prevent floods and conserve water, the County maintains and operates a system of 15 major dams, 131 debris basins, 86,500 catch basins, 42 sediment placement sites, and over 2,825 miles of storm drains and channels. County lifeguards monitor 31 miles of beachfront and County rescue boats patrol 75 miles of coastline, including the Catalina Channel.

#### *Public Safety*

The County criminal justice network is primarily supported by local County revenue sources, State Public Safety sales tax revenue and fees from contracting cities. The Sheriff provides county-wide law enforcement services and will perform specific

functions requested by local police departments, including the training of thousands of police officers employed by the incorporated cities of the County. Specifically, the County provides training for narcotics, vice, homicide, consumer fraud, and arson investigations, as well as assistance in locating and analyzing crime scene evidence. The County also operates and maintains one of the largest jail systems in the United States, with an average daily population of over 17,000 inmates.

#### *General Government*

The County is responsible for the administration of the property tax system, including property assessment, assessment appeals, collection of taxes, and distribution of property tax revenue to cities, community redevelopment agencies, special districts, and local school districts. Another essential general government service is the County's voter registration and election system, which provides services to an estimated 4.1 million registered voters and maintains 5,000 voting precincts for countywide elections.

#### *Culture and Recreation*

Through a partnership with community leaders, non-profit organizations, volunteers and the private sector, the County operates the Music Center complex, which includes the Dorothy Chandler Pavilion, Mark Taper Forum, Ahmanson Theater, and the Walt Disney Concert Hall. The County also functions as the operator of the Hollywood Bowl, the John Anson Ford Theater, the Los Angeles County Museum of Art, the Museum of Natural History, and the George C. Page Museum.

The County's botanical centers, including the Arboretum, the South Coast Botanic Garden, Descanso Gardens, and the Virginia Robinson Estate, provide County residents with a valuable educational resource. The County also manages over 63,000 acres of parks and operates a network of regional recreational facilities, including Marina del Rey (a small craft harbor), 7 major regional parks, 90 local and community regional parks and 19 golf courses.

### **EMPLOYEE RELATIONS/COLLECTIVE BARGAINING**

Approximately 85% of the County workforce is represented by certified employee organizations. These organizations include sixty (60) collective bargaining units, which are represented either by the Services Employees International Union ("SEIU") Local 721 (formerly known as Local 660), the Coalition of County Unions ("CCU"), which represents nine (9) unions, or one of eight (8) Independent Unions. Under labor relations policy direction from the Board of Supervisors and Chief Executive Officer, the CEO Employee Relations Division negotiates sixty (60) individual collective bargaining agreements for wages and salaries and two fringe benefit agreements with SEIU Local 721 and the CCU. The Independent Unions are covered by one of the two fringe benefit agreements.

In 2006, the County negotiated a 3-year contract with SEIU Local 721, which currently covers over 79,000 County employees. Under the terms of the collective bargaining agreement, SEIU Local 721 members received a 10% salary increase between October 1, 2006 and January 1, 2009, with the salary range for most employees being extended by an additional 5.5% increase. The County reached similar agreements with most of the bargaining units represented by the CCU and the Independent Unions. One SEIU Local 721 group, the Registered Nurses, negotiated a new classification and salary structure that resulted in some employees receiving raises substantially higher than 15.5%. The fringe benefit agreements negotiated with SEIU

Local 721 and the CCU had a term of three years, which expired on September 30, 2009.

In 2006, the County also executed collective bargaining agreements with the Association for Los Angeles Deputy Sheriffs and the Professional Peace Officers Association with terms that extended through January 2009. These agreements resulted in salary increases totaling up to 18.5% over the three-year contract term. A similar agreement was reached with the Los Angeles County Fire Fighters and the Los Angeles County Lifeguard Association. Deputy Probation Officers also settled in early 2006, resulting in 10% salary increases as well as longevity pay for employees with 20 or more years of County service.

In March 2009, the Board of Supervisors approved amendments to eight Memoranda of Understanding ("MOU") covering wages and salaries with Independent Unions representing fire fighters, peace officers, public defender investigators, beach lifeguards and deputy probation officers. The amendments extended the MOUs for an additional 2-year period through December 31, 2010 or January 31, 2011, depending on the related bargaining unit, and provided for the continuation of existing salaries with no cost-of-living adjustments.

In December 2009, the Board of Supervisors approved successor fringe benefit agreements with most of the collective bargaining units represented by SEIU Local 721, the CCU and the Independent Unions. Under the terms of the new fringe benefit agreements, which will expire on September 30, 2011, County employees have agreed to forego any cost of living increases through the 2-year contract term; and the County has agreed to increase its contribution for employee health care by 8% in Fiscal Year 2009-10 and 7.2% in Fiscal Year 2010-11.

### **RETIREMENT PROGRAM**

#### *General*

All permanent County employees of three-quarter time or more are eligible for membership in the Los Angeles County Employees Retirement Association ("LACERA"). LACERA was established in accordance with the County Employees Retirement Law of 1937 (the "Retirement Law") to administer the County's Employee Retirement Trust Fund (the "Retirement Fund"). LACERA operates as a cost-sharing multi-employer defined benefit plan for the County of Los Angeles and four minor participating agencies. The four non-County agencies account for less than one percent (1%) of LACERA's membership. Through the Retirement Fund and various benefit plans, LACERA provides retirement benefits to all general and safety (sheriff, fire and lifeguard) members.

The LACERA plans are structured as "defined benefit" plans in which benefit allowances are provided based on salary, length of service and age. County employees have the option to participate in a contribution based defined benefit plan or a non-contribution based plan. In the contribution based plans (Plans A, B, C & D), employees contribute a fixed percentage of their monthly earnings to LACERA based on rates determined by LACERA's actuary. The contribution rates depend upon age, the date of entry into the plan and the type of membership (general or safety). County employees who began their employment after January 4, 1982 also have the option to participate in Plan E, which is a non-contribution based plan. The contribution based plans (A through D) have higher monthly benefit payments for retirees compared to Plan E.

LACERA's total membership as of June 30, 2009 was 160,701, consisting of 64,489 active vested members, 31,299 non-vested



active members, 53,069 retired members and 11,844 terminated vested (deferred) members.

#### *Actuarial Valuation*

The Retirement Law requires the County to contribute to the Retirement Fund on behalf of employees using rates determined by the plan's actuary, which is currently Milliman Consultants and Actuaries ("Milliman"). Such rates are required under the Retirement Law to be calculated at least once every three years. LACERA presently conducts annual valuations to assess changes in the Retirement Fund's portfolio.

In June 2002, the County and LACERA entered into the Retirement Benefits Enhancement Agreement (the "2002 Agreement") to enhance certain retirement benefits in a manner that is consistent with changes to State programs enacted in 2001 and fringe benefit changes negotiated in 2000. The 2002 Agreement, which expired in July 2010, provides for a 30-year rolling amortization period for any unfunded actuarial accrued liability ("UAAL"). UAAL is defined as the actuarial accrued liability minus the actuarial value of the assets of LACERA at a particular valuation date. Each year, contributions to fund the UAAL are amortized as a level percentage of the projected salaries of present and future members of LACERA over a 30-year period from the valuation date. Utilizing a level percentage of projected salaries methodology, this rolling 30-year amortization may cause the UAAL amount to increase over time. However, the amortization method is only one of multiple factors that affect the UAAL. Other factors such as investment returns, changes in actuarial assumptions and benefit increases may cause an increase or decrease in the UAAL.

Beginning with Fiscal Year 2006-07, the investment board of LACERA (the "Board of Investments") adopted a revised series of economic and demographic assumptions to be used in LACERA's actuarial valuations. The economic assumptions for the investment return rate, wage growth rate and price inflation were set at 7.75%, 3.75% and 3.50%, respectively. Changes to the demographic assumptions included higher merit salary increases for safety members with 20 or more years of service, an increase in retirement rates and lower mortality rates for disabled retirees. The net effect of the change in actuarial assumptions was to increase both the actuarial accrued liability ("AAL") for the Plan and the total County contribution rate. In Fiscal Year 2007-08, the assumed wage growth rate was increased from 3.75% to 4.00%. The economic and demographic assumptions were unchanged for the actuarial analysis completed for Fiscal Year 2008-09.

When measuring assets to determine the UAAL, the County has elected to "smooth" gains and losses to reduce the potential volatility of its funding requirements. If in any year, the actual investment return on the Retirement Fund's assets is lower or higher than the actuarial assumed rate of return (7.75%), then the shortfall or excess is smoothed, or spread, over a five-year time period. The impact of this valuation method will result in "smoothed" assets that are lower or higher than the market value of assets depending on whether the remaining amount to be smoothed is either a net gain or a net loss.

In December 2009, the Board of Investments adopted a new Retirement Benefit Funding Policy (the "2009 Funding Policy"), which amended the terms of the 2002 Agreement. The impact of the 2009 Funding Policy on the LACERA plans are reflected in the June 30, 2009 Actuarial Valuation prepared by Milliman (the "2009 Actuarial Valuation"). The significant changes in the 2009 Funding Policy are described as follows:

- Asset Smoothing Period: The smoothing period to account for asset gains and losses increased from three years to five years. This is the most significant change and resulted in a higher Funded Ratio (as determined by dividing the valuation assets by the AAL), and a lower contribution rate than would have been calculated under the previous three-year smoothing period.
- Amortization Period: The UAAL is now amortized over a closed thirty-year layered period, compared to an open thirty-year period under the 2002 Agreement. If LACERA achieves a Funded Ratio in excess of 100%, the surplus funding position will be amortized over a thirty-year open period.
- STAR Program Reserve: If the Funded Ratio of LACERA is below 100%, the actuary will recognize the STAR Program Reserve as a valuation asset to the extent that it restores the Funded Ratio to a level at or below 100%. For the 2009 Actuarial Valuation, the entire \$614 million of the STAR Program Reserve is included in the valuation assets of the Retirement Fund. As long as the Funded Ratio remains below 100%, the recognition of the Star Program Reserve as a valuation asset will result in a lower required contribution rate to LACERA.

#### *UAAL and Deferred Investment Returns*

The 2009 Actuarial Valuation reported a rate of return on Retirement Fund assets of negative 18.3% for the Fiscal Year ended June 30, 2009, which corresponds to an \$8.226 billion reduction in the market value of assets from June 30, 2008. Under the 2009 Funding Policy, the actuarial value of Retirement Fund assets decreased by \$120 million to \$39.542 billion as of June 30, 2009, and the Funded Ratio decreased by 5.6% from 94.5% to 88.9% as of June 30, 2009. However, the actuarial value does not include \$9.819 billion of deferred investment losses that will be recognized over the next four fiscal years. A summary of investment returns for the prior six years is presented in Table 2 ("Investment Return on Retirement Plan Assets") on page A-8.

The 2009 Actuarial Valuation reported that the AAL increased by \$2.494 billion to \$44.469 billion, and the UAAL increased from \$2.313 billion on June 30, 2008 to \$4.927 billion as of June 30, 2009. The \$2.614 billion increase in the UAAL was primarily the result of the significant investment losses in Fiscal Year 2008-09. A six-year history of the County's UAAL is provided in Table 1 ("Retirement Plan UAAL and Funded Ratio") on page A-8.

In Fiscal Year 2010-11, the County's required contribution rate increased by 2.14% to 14.22% of covered payroll. The increase in the contribution rate was comprised of an increase in the funding requirement to finance the UAAL over 30 years from 1.99% to 4.12%, and an increase in the normal cost contribution rate from 10.09% to 10.10%. The increase in the contribution rate to fund the UAAL was primarily driven by the recognition of significant actuarial investment losses, which account for 3.91% of the 14.22% total contribution rate. The impact of the actuarial investment losses on the required contribution rate was partially offset by the transition to a five-year smoothing period (-1.16%) and the inclusion of STAR Program Reserves (-.52%) as a result of the 2009 Funding Policy. To demonstrate the impact of utilizing an asset smoothing period, the actuary estimates that the Funded Ratio would have been 66.8% as of June 30, 2009, and the required County contribution rate would be 22.64% for Fiscal Year 2010-11, if the actual market value of Retirement Fund assets was used as the basis for the actuarial calculations.

As a result of the improvements in the equity markets since June 30, 2009, LACERA reported an 11.8% return on Retirement Fund Assets for the fiscal year ended June 30, 2010, which compares favorably to their benchmark rate of return of 9.5%. As of May 31, 2010, the asset allocation percentages for the Retirement Fund were 26.9% domestic equity, 23.9% international equity, 26.4% fixed income, 8.8% real estate, 9.7% private equity, 2.2% cash and 2.1% commodities.

The investment losses recognized by LACERA during Fiscal Year 2008-09, combined with the 2009 Funding Policy will have a major impact on future contribution requirements to the Retirement Fund. For Fiscal Year 2010-11, the County's required contribution is expected to increase by \$145.1 million from 2009-10 to \$949.4 million.

In addition to annual actuarial valuations, LACERA requires its actuary to review the reasonableness of the economic and non-economic actuarial assumptions every three years. This review, commonly referred to as the Investigation of Experience, is accomplished by comparing actual experience during the preceding three years to what was expected to occur according to the actuarial assumptions. On the basis of this review, the actuary recommends whether any changes in the assumptions or methodology would allow a more accurate projection of total benefit liabilities and asset growth. In performing its preliminary review for the Investigation of Experience as of June 30, 2010, Milliman has recommended that the Board of Investments consider the adoption of some key changes to the economic assumptions related to inflation and investment return. For the June 30, 2010 actuarial valuation (the "2010 Actuarial Valuation"), Milliman has recommended a decrease in the assumed rate of inflation from 3.5% to a range of 3.00% to 3.25%, and a decrease in the assumed investment rate of return from 7.75% to a range of 7.25% to 7.5%.

Based on the 2009 Actuarial Valuation, if the Board of Investments had adopted the most costly scenario within the range of options proposed by Milliman (adjusting the assumed rate of inflation and the investment rate of return to 3.25% and 7.25%, respectively), the County's required contribution rate would have increased to 17.5% in Fiscal Year 2010-11. The actual fiscal impact to the County in Fiscal Year 2011-12 from adopting any of the changes within the ranges proposed by Milliman will depend on the results of the 2010 Actuarial Valuation. The Board of Investments is expected to vote on Milliman's recommendations in November 2010.

#### *Investment Policy*

The Board of Investments has exclusive control of all Retirement Fund investments and has adopted an Investment Policy Statement. The Board of Investments is comprised of four active and retired members and four public directors appointed by the Board of Supervisors. The County Treasurer and Tax Collector serves as an ex-officio member. The Investment Policy Statement establishes LACERA's investment policies and objectives and defines the principal duties of the Board of Investments, investment staff, investment managers, master custodian, and consultants.

#### *Contributions*

Employers and members contribute to LACERA based on unisex rates recommended by an independent actuary (using the Entry Age Normal Cost Funding Method) and adopted by the Board of Investments and the County's Board of Supervisors. Contributory plan members are required to contribute between 5% and 15% of their annual covered salary. Employers and

participating agencies are required to contribute the remaining amounts necessary to finance the coverage of their employees (members) through monthly or annual pre-funded contributions at actuarially determined rates.

The County has funded 100% or more of its annual required contribution to LACERA in each of the last twelve years. In Fiscal Years 2008-09 and 2009-10, the County's total contributions to the Retirement Fund were \$805.3 million and \$802.5 million, respectively. These payments did not include any contribution from excess earnings. For Fiscal Year 2010-11, the County is budgeting \$949.4 million for the County contribution to the LACERA Retirement Fund. A summary of employer contributions for the seven years ended June 30, 2010 is presented in Table 3 ("County Pension Related Payments") on page A-8.

During the early and mid-1990's, the County relied heavily upon the use of excess earnings to fund all or a portion of its annually required contribution to LACERA. The County's excess earnings were generated as a result of an agreement between the County and LACERA, which allowed the County to share in Retirement Plan earnings (through June 30, 1998) in excess of the actuarial assumed rate of return. Beginning in 1996, however, the County embarked on a multi-year plan to lessen its reliance on excess earnings by systematically increasing its net County cost to the Retirement Plan. The required contribution for Fiscal Year 2007-08 represented the first year that excess earnings were not used to fund the County's required contribution. The remaining balance of excess earnings available to the County to fund retirement program costs is approximately \$470 million as of June 30, 2009. These funds will not be affected by the 2009 Funding Policy.

With a strong cash position at the beginning of Fiscal Years 2007-08 and 2008-09, the County decided to prepay \$400 million of its annual required contribution to LACERA. The payments were made in July of each year and served to greatly reduce monthly transfers during the second half of the fiscal year. In Fiscal Year 2009-10, the County returned to its historical practice of making payments to LACERA for the required contribution on a monthly basis throughout the fiscal year.

#### *Pension Obligations*

In California, the obligation of the County to fund the UAAL by making actuarially required contributions is an obligation imposed by State Law. The County has previously issued pension obligation bonds and certificates and transferred the proceeds to LACERA to reduce its UAAL. As of October 1, 2010, the County has deposited an advance payment in the amount of \$372.13 million with the trustee, representing the final payment of its outstanding pension obligations. The final payment to bondholders will be made on June 30, 2011. A complete description of the County's pension obligations is included in the "Debt Summary" portion of this Appendix. A six-year history of the County's debt service payments on its pension obligations is also presented in Table 3 on page A-8.

#### *STAR Program*

The Supplemental Targeted Adjustment for Retirees program ("STAR Program") is a discretionary program that provides a supplemental cost-of-living increase from excess earnings to restore retirement allowances to 80% of the purchasing power held by retirees at the time of retirement. As of June 30, 2009, \$614 million was available in the STAR Program Reserve to fund future benefits. Under the 2009 Funding Policy, the entire STAR Program Reserve was included in the Retirement Fund's

valuation assets. However, the liability for any STAR Program benefits that may be granted in the future was not included in the 2009 Actuarial Valuation. If the STAR Program Reserve was excluded from the valuation assets, the County's required contribution rate would increase by .52% to 14.74%, and the Funded Ratio would decrease by 1.4% to 87.5%.

#### *Postemployment Health Care Benefits*

LACERA administers a Health Care Benefits Program ("HBP") under an agreement with the County. The HBP includes medical, dental, vision and life insurance benefit plans for over 88,000 retirees or survivors and their eligible dependents. Retirement plan net assets are not held in trust for such postemployment benefits and LACERA's Board of Retirement reserves the right to amend or revise the medical plans and programs under the HBP at any time. County HBP-related payments are calculated based on the employment service credit of retirees, survivors, and dependents. For eligible members with 10 years of service credit, the County pays 40% of the health care plan premium. For each year of service credit beyond 10 years, the County pays an additional 4% of the plan premium, up to a maximum of 100% for a member with 25 years of service credit.

For Fiscal Year 2007-08, total HBP-related payments from the County to LACERA were \$352.0 million, including a \$9.0 million transfer from excess earnings. Total HBP-related payments for Fiscal Year 2008-09 were \$365.4 million, with no transfers from excess earnings. The County made \$383.5 million of HBP-related payments in Fiscal Year 2009-10, and is projecting \$429.1 million in payments in the 2010-11 Final Adopted Budget, without any supplemental contributions from excess earnings.

#### *Financial Reporting for Other Postemployment Benefits*

The Governmental Accounting Standards Board ("GASB") has issued two statements that address other postemployment benefits ("OPEB"), which are defined to include many post retirement benefits other than pension-related benefits. Health care and disability benefits are the most significant of these benefits provided by the County.

GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans ("GASB 43"), established financial reporting standards for OPEBs in a manner similar to those currently in effect for pension benefits. GASB 43 is focused on the entity that administers such benefits (which, in the case of the County, is LACERA) and requires an actuarial valuation to determine the funded status of accrued benefits. LACERA has complied with GASB 43 requirements for the annual reporting periods ended June 30, 2008 and June 30, 2009.

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions ("GASB 45"), establishes financial reporting standards designed to measure, recognize, and disclose OPEB costs. GASB 45 is focused on the County's financial statements, and related note disclosures, and is intended to associate the costs of the OPEB with the periods in which employee services are rendered in exchange for the OPEB. Starting with the June 30, 2008 Comprehensive Annual Financial Report ("CAFR"), the County has implemented the requirements of GASB 45 in its financial reporting process.

The core requirement of GASB 45 is that an actuarial analysis must be prepared at least once every two-year period with respect to projected benefits ("Plan Liabilities"), which would be measured against the actuarially determined value of the related

assets (the "Plan Assets"). To the extent that Plan Liabilities exceeded Plan Assets, the difference could be amortized over a period not to exceed 30 years. The method of financial reporting for OPEB costs would be similar to that used for pension plan normal costs and the UAAL thereof.

In order to comply with the requirements of GASB 43 and GASB 45, LACERA engaged Milliman to complete the initial actuarial valuation of OPEB liabilities for the LACERA plans as of July 1, 2006 (the "2006 OPEB Valuation"). In a report dated May 25, 2007, Milliman presented the first actuarial calculation of the County's unfunded accrued liability for post retirement health care and life insurance benefits paid to its employees.

In the 2006 OPEB Valuation, Milliman provided a determination of the AAL for LACERA's health, dental, vision and life insurance benefits plan. The County's members comprise approximately 95% of LACERA's retiree population and the County is responsible for such percentage of OPEB costs. The 5% of LACERA retirees who do not contribute to the County's OPEB liability are predominantly members of the Los Angeles Superior Court. The demographic and economic assumptions in the 2006 OPEB Valuation were modeled on the assumptions used by LACERA for its pension program in Fiscal Year 2007-08, which assumed a 3.75% general wage increase for County employees and a 3.5% implied inflation rate. The healthcare cost assumptions in the 2006 OPEB Valuation were based on discussions with other consultants and actuaries used by the County, LACERA and labor groups.

The 2006 OPEB Valuation determined the AAL for LACERA's healthcare and life insurance benefits using a 5% discount rate and the Projected Unit Credit actuarial cost method. Using this methodology, the AAL for LACERA's OPEB program (including employees of the Los Angeles Superior Court) was \$21.22 billion as of July 1, 2006, of which approximately \$20.30 billion was the County's share of the liability. The total annual required contribution for the County to fund its OPEB liability, referred to in GASB 45 as the "ARC", was estimated to be \$1.55 billion as of July 1, 2006, which represented approximately 31.2% of the County's annual payroll costs.

The standards set forth under GASB 45 affect the County's financial statements. However, GASB 45 does not impose requirements on the funding of any OPEB liability and there is no mandatory payment associated with the implementation of this standard. GASB 45 provides that OPEB costs, if not funded on an actuarial accrual basis, will be recognized as a liability in the County's financial statements. Accordingly, for the Fiscal Year ended June 30, 2008, the County reported a total OPEB ARC of \$1.615 billion. This amount also includes the unfunded liability for the County's long-term disability benefits. The total OPEB ARC, when reduced by the \$381 million "pay-as-you-go" County contribution, resulted in a Net OPEB liability of \$1.234 billion for retiree health care and long-term disability benefits as of June 30, 2008. The \$381 million County contribution represented 23.6% of the OPEB ARC.

In accordance with the requirements of GASB 43, LACERA engaged Milliman to complete its second OPEB actuarial valuation as of July 1, 2008 (the "2008 OPEB Valuation"), which was issued on June 22, 2009. In the 2008 OPEB Valuation, Milliman reported an AAL of \$21.86 billion for LACERA's OPEB program (including employees of the Los Angeles Superior Court). The County's share of this liability, \$20.9 billion, represented a 3% increase from the 2006 OPEB Valuation. The OPEB ARC as of July 1, 2008 was estimated to be \$1.66 billion, which represents approximately 28% of the County's payroll costs, and a 7% increase from the 2006 OPEB Valuation.

The 2008 OPEB Valuation utilized the Projected Unit Credit actuarial cost method and a 5% discount rate. The increase in the OPEB AAL from 2006 to 2008 was caused by several offsetting factors, which include changes to retirement benefit assumptions, cost increases due to the passage of time, demographic changes, and claim cost experience gains, including lower than expected increases in health insurance premiums. However, as a result of an increase in the assumed total wage growth from 3.75% to 4% in 2008, the ARC as a percentage of annual payroll costs was reduced to 28% from 31% in 2006.

In accordance with the requirements of GASB 45, the County reported an OPEB ARC of \$1.628 billion and a net OPEB liability \$1.231 billion for the Fiscal Year ended June 30, 2009. With a \$397 million "pay-as-you-go" contribution, the County funded 24.4% of its OPEB ARC, representing a slight increase from the 23.6% funding level in the previous Fiscal Year. For the two-year period ended June 30, 2009, the County is reporting an unfunded Net OPEB obligation of \$2.465 billion.

#### *Funding for Other Postemployment Benefits*

The County is considering several funding options to reduce its OPEB AAL, including the establishment of a tax-exempt trust to pre-fund the County's OPEB liability. The authority to establish a tax-exempt trust is provided by California Government Code Sections 31694.3 and 31694.4. Under the provisions contained therein, the County will seek to create either a Section 115 Trust or an Integral Part Entity Trust. With each of these options, it is the intention of the County to contract with LACERA for the administrative and investment services related to the trust. Prior to the actual funding of a trust, however, the County must secure the support of its union membership and incorporate the trust agreement into the provisions of a ratified collective bargaining agreement, as required by Government Code Section 31694.4.

In Fiscal Year 2006-07, the Board of Supervisors gave its support to the development of a specific fiscal policy to pre-fund retiree health benefits. The County is planning to use the remaining \$470 million of excess earnings with LACERA to fund an initial deposit to an OPEB trust. On April 20, 2010, in response to the presentation of the 2010-11 Proposed Budget, the Board of Supervisors instructed the CEO to resume work with LACERA and the County labor unions to establish an OPEB trust fund and to take the necessary steps to fund the OPEB trust with the remaining balance of excess earnings. Beyond these measures, the County may also consider applying general fund revenues to supplement an initial trust fund deposit.

#### *Long-Term Disability Benefits*

In addition to its Retirement Plan, the County administers a Disability Benefits Plan ("DBP") that is separate from LACERA. The DBP covers employees who become disabled as a direct result of an injury or disease while performing assigned duties. Generally, the long term disability plans included in the DBP provide employees with a basic monthly benefit of between 40% and 60% of such employee's monthly compensation, commencing after 6 months of disability. The benefits under these plans normally terminate when the employee is no longer totally disabled or turns age 65, whichever occurs first. The health plans included in the DBP generally cover qualified employees who are sick or disabled and provide for the payment of a portion of the medical premiums for these individuals.

Following completion of the 2006 OPEB Valuation, the County engaged Buck Consultants to prepare an actuarial valuation of

the long-term disability portion of its DBP. As of July 1, 2007, the AAL of the County's long-term DBP was \$929.3 million. The County determined that this liability is an additional OPEB obligation and included the ARC for long-term DBP obligations as a component of the \$1.615 billion OPEB ARC reported on the June 30, 2008 CAFR. As of July 1, 2009, the most recent actuarial valuation of the County's long-term DBP reported an AAL of \$951.8 million, which represents a 2.4% increase from the previous valuation. The \$29 million DBP payment made by the County in Fiscal Year 2007-08 and the \$32 million payment in Fiscal Year 2008-09 are accounted for as an offset in the calculation of the County's Net OPEB obligation for Fiscal Years 2007-08 and 2008-09.

#### **LITIGATION**

The County is a party to numerous cases. The following are summaries of the most significant pending proceedings, as reported by the Office of the County Counsel.

##### *Litigation Regarding Health Services*

In March 2003, two lawsuits were filed in Federal District Court against the County challenging health care reductions approved by the Board. Specifically, *Rodde, et al. v. Bonta, et al.* ("Rodde") challenged the closure of Rancho Los Amigos National Rehabilitation Center ("Rancho"). *Harris, et al. v. County of Los Angeles, et al.* ("Harris") challenged the closure of Rancho as well as the reduction of the 100 beds at LAC+USC Medical Center ("LAC+USC").

Negotiated settlements in the *Harris* and *Rodde* cases were approved by the Board of Supervisors in August 2005 and became final in December 2005 and March 2006, respectively. Pursuant to the settlement agreements, the County agreed to keep Rancho open through March 9, 2009 at a specified level of service. The settlement agreement expired on March 10, 2009, but the County has continued to operate Rancho, and intends to evaluate its future role in providing specialized services under Federal health care reform as a means to enhance revenue for DHS. With respect to LAC+USC, the settlement agreement expired in December 2009. Despite the expiration of the settlement agreement, the County has continued to honor many of the "fixes" required under the agreement, including key provisions related to the operation of the facility as an urgent care center.

##### *Wage and Hour Cases*

In 2007 and 2008, several collective action lawsuits were filed against the County by Deputy Sheriffs, the Association for Los Angeles Deputy Sheriffs and the Los Angeles County Professional Peace Officers Association, the unions that represent public safety officers in the Los Angeles County Sheriff's department and the Office of Public Safety. These collective action lawsuits seek to recover compensation for overtime related to performing pre-shift and post-shift employment activities such as the donning and doffing of uniforms and equipment, preparing patrol cars, preparing reports, working through meal times and other such activities which occurred "off the clock." Taken together, there is the potential that the number of claimants could reach 9,000 individuals. These cases are in the early discovery stages. These cases are in the collective action certification stage. In March 2010, the United States Court of Appeals for the Ninth Circuit issued a decision in *Bamonte v. City of Mesa*, holding that the time police officers spend before and after their paid shifts donning and doffing their police uniforms and related protective gear is not compensable under the Federal Fair Labor Standards

Act ("FLSA") as long as the officers have the option and ability to don and doff their uniform and gear off of the employer's premises. If this decision becomes final, it may strengthen the County's defense of related claims in the three collective action lawsuits because the Sheriff's Department has a written policy clearly stating that uniformed employees do not have to dress at work.

Various lawsuits have been filed against the County alleging that certain classes of employees were not compensated for overtime worked in excess of forty hours per week, as required by FLSA. These lawsuits seek overtime pay for a three-year period, liquidated damages (double damages), attorneys' fees and costs. In 2008, a lawsuit entitled *Ellerd v. County of Los Angeles* was filed by adult protective services social workers in the Department of Community and Senior Services. The plaintiffs allege that they worked extra unrecorded hours for which they should have been paid overtime at time and one-half. No trial date has been set. The County's collective action decertification motion is set for hearing in January 2011.

#### *Other Litigation*

In 1999, a lawsuit entitled *Roger E. Bacon v. Alan T. Sasaki* was filed against the County challenging the Auditor-Controller's method of calculating interest on property tax refunds. A bench trial was held on January 9, 2006 regarding two test claims, and the trial court only partially sustained the Auditor-Controller's position. On August 11, 2009, the Board of Supervisors approved a settlement of the case. The trial court has preliminarily approved the proposed settlement, which provides for a total maximum payout amount, including all fees and costs, of \$45 million. It is anticipated that a final fairness hearing prior to entry of final judgment will be held in October 2010. The County has reserved \$35 million for the expected fees and costs to settle this lawsuit.

In July 2004 and February 2007, two related cases, *Ricketts v. McCormack, et al.* ("Ricketts") and *Conner, et al., v. McCormack, et al.* ("Conner"), respectively, were filed against the County Recorder. In the *Ricketts* case, the plaintiff alleged that the County Recorder did not timely record reconveyances of deeds of trust as required by statute. The County obtained dismissal of the monetary claims in April 2006. In February 2007, the plaintiff prevailed on summary judgment and obtained a writ of mandate compelling the Recorder to timely record reconveyances. The County's motion for a new trial was granted in May 2007 and the trial was held in December 2007. In May 2008, the trial court overturned the prior summary judgment and ruled in favor of the County. The plaintiff appealed the decision and the Court of Appeals upheld the trial court ruling that the County must comply with the statutory requirements regarding the reconveyance of deeds of trust. The plaintiff's Petition for Review was denied by the California Supreme Court in December 2009. In the *Conner* case, a class action lawsuit, plaintiffs are seeking statutory forfeitures of five hundred dollars per violation against the County and its Recorder for alleged late recording of reconveyances of deeds of trust. As a result of the outcome in the *Ricketts* case, the plaintiff voluntarily dismissed the *Conner* case, with prejudice, in January 2010, thus concluding the litigation.

In March, 2008, a lawsuit entitled *Natural Resources Defense Counsel v. County of Los Angeles, et al.*, was filed against the County and the Los Angeles County Flood Control District (the "Flood Control District") under the citizen suit provision of the Federal Clean Water Act. The plaintiffs have identified approximately 274 days of alleged violations and they contend that the violations are ongoing. The case was bifurcated to first

determine liability, and if liability was found, then to determine the penalties and remedies. The trial judge has issued a ruling on cross-motions for summary judgment that disposed of most of the liability issues. However, the County and the Flood Control District were found to have violated water quality standards at two locations. Assuming the ruling remains unchanged, the plaintiffs will be entitled to attorneys fees and costs to the extent they prevailed on liability. No cost has yet been determined for the injunctive relief sought, in the event that such relief is ordered. In March 2009, the County and Flood Control District filed administrative claims under the Government Tort Claims Act against 64 cities and public entities for equitable indemnity and contribution. The County and Flood Control District filed a complaint for indemnity in state court against the three public entities who did not execute tolling agreements. No trial dates have been set in either the federal action or the state lawsuit.

In 2008, in *Los Angeles Unified School District v. County of Los Angeles, et. al.*, the school district alleged that the Auditor-Controller improperly calculated statutory payments due to LAUSD under redevelopment law. The Court of Appeal reversed a trial court decision in favor of the County, and the County's Petition for Review was denied by the California Supreme Court. The County's actual liability is still undergoing review, but is expected to be in the range of \$24 to \$38 million.

In 2008, the City of Alhambra, along with 46 other plaintiff cities, filed a *Petition for Writ of Mandate* against the County alleging that the County and its Auditor-Controller deducted excessive administrative fees from the property tax allocations of the 88 incorporated cities within Los Angeles County. In June 2009, a judgment denying the writ was entered in favor of the County. The plaintiffs filed a notice of appeal in August 2009, and in July 2010, the Court of Appeal reversed the trial court ruling. In August 2010, the County filed a Petition for Review with the California Supreme Court. If the Petition for Review is unsuccessful and the County is required to pay damages, the estimated liability of the plaintiffs' claim is approximately \$18 million.

In 1997, the County sued insurance companies to obtain policy benefits arising out of damage to the County's buildings caused by the Northridge Earthquake. At trial, the County failed to realize a net recovery and the insurers were awarded \$5.9 million, plus interest, in litigation costs and fees. Both the County and the insurer have appealed the decision. The appeal is currently pending and no hearing date has been set. If the County fails to succeed on appeal, it may owe the insurers up to \$12 million, which has already been reserved by the County.

#### *Pending Litigation*

There are a number of other lawsuits and claims pending against the County. Included in these are a number of property damage, personal injury and wrongful death actions seeking damages in excess of the County's insurance limits. In the opinion of the County Counsel, such suits and claims as are presently pending will not impair the ability of the County to make debt service payments or otherwise meet its outstanding lease or debt service obligations.

**TABLE 1: RETIREMENT PLAN UAAL AND FUNDED RATIO**  
(in thousands)

Actuarial Valuation Date	Market Value of Plan Assets	Actuarial Value of Plan Assets	Actuarial Accrued Liability	UAAL	Funded Ratio
06/30/2004	\$29,481,183	\$27,089,440	\$32,700,505	\$5,611,065	82.84%
06/30/2005	32,026,105	29,497,485	34,375,949	4,878,464	85.81%
06/30/2006	35,185,589	32,819,725	36,258,929	3,439,204	90.51%
06/30/2007	40,908,106	37,041,832	39,502,456	2,460,624	93.77%
06/30/2008	38,724,671	39,662,361	41,975,631	2,313,270	94.49%
06/30/2009	30,498,981	39,541,865	44,468,636	4,926,771	88.92%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2009.

**TABLE 2: INVESTMENT RETURN ON RETIREMENT PLAN ASSETS**  
(in thousands)

Fiscal Year	Market Value of Plan Assets	Market Rate of Return
2003-2004	\$29,481,183	16.5%
2004-2005	32,026,105	11.0%
2005-2006	35,185,589	13.0%
2006-2007	40,908,106	19.1%
2007-2008	38,724,671	-1.5%
2008-2009	30,498,981	-18.3%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2009.

**TABLE 3: COUNTY PENSION RELATED PAYMENTS**  
(in thousands)

Fiscal Year	Cash Payment to LACERA	Transfer From Excess Earnings to LACERA	Pension Bonds Debt Service	Total Pension Related Payments	Percent Change Year to Year
2003-04	\$395,062	\$126,916	\$316,115	\$838,093	2.5%
2004-05	527,810	222,542	336,329	1,086,681	29.7%
2005-06	676,667	179,368	356,883	1,212,918	11.6%
2006-07	751,851	111,775	381,235	1,244,861	2.6%
2007-08	827,789	-	381,603	1,209,392	-2.8%
2008-09	805,300	-	320,339	1,125,639	-6.9%
2009-10	802,500	-	358,165	1,160,665	3.1%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2009 and County of Los Angeles Chief Executive Office.

# BUDGETARY INFORMATION

## COUNTY BUDGET PROCESS

The County is required by California State Law to adopt a balanced budget by October 2<sup>nd</sup> of each year. Upon release of the Governor's Proposed State Budget in January, the CEO of the County prepares a preliminary forecast of the County budget based on the current year budget, the Governor's budget, and other projected revenue and expenditure trends. Expanding on this forecast, a target County budget for the ensuing fiscal year, beginning July 1st, is developed, and projected resources are tentatively allocated to the various County programs.

The CEO normally presents the Proposed County Budget to the Board of Supervisors in April. The Board of Supervisors is required by County Code to adopt a Proposed Budget no later than June 30<sup>th</sup>. If a Final County Budget is not adopted by June 30<sup>th</sup>, the appropriations approved in the Proposed Budget, with certain exceptions, become effective for the new fiscal year until the final budget is approved.

The CEO generally recommends revisions to the County Budget after adoption of the final State budget to align County expenditures with approved State funding. After conducting public hearings and deliberating on the details of the budget, the Board of Supervisors adopts the final County Budget by August 1st.

Throughout the balance of the fiscal year, the Board of Supervisors approves various adjustments to the Final County Budget to reflect changes in appropriation requirements and funding levels. The levels of annual revenues from the State and Federal governments are generally allocated pursuant to formulas specified in State and Federal statutes. For budgetary or other reasons, such statutes can be amended, which could affect the level of County revenues and budgetary appropriations.

## COUNTY BUDGET OVERVIEW

The County Budget is comprised of seven (7) fund groups through which the County's resources are allocated and controlled. These groups include the General and Hospital Enterprise (which represents the General County Budget), Special, Special District, Other Enterprise, Other Proprietary, and Other Funds.

The General County Budget accounts for approximately 76.3% of the 2010-11 Final Adopted Budget and funds programs that are provided on a mostly county-wide basis (e.g., health care, welfare, and detention facilities), municipal services to the unincorporated areas not otherwise included in a special district, and certain municipal services to various cities on a contract fee-for-service basis (e.g., law enforcement, planning and engineering).

Special Funds represent approximately 12.0% of the 2010-11 Final Adopted Budget, and are used to account for the allocation of revenues that are restricted to specific purposes, such as public library operations, courthouse construction programs and operations, and specified automation projects.

Special District Funds account for approximately 8.2% of the 2010-11 Final Adopted Budget and are separate legal entities funded by specific taxes and assessments. These districts provide public improvements and/or services benefiting targeted properties and residents. Special Districts are governed by the Board of Supervisors and include, among others, Flood Control, Garbage Disposal, Sewer Maintenance and Regional Park and Open Space Districts. The remaining fund groups, Other Enterprise, Other Proprietary and Other Funds account for 3.5% of the 2010-11 Final Adopted Budget.

## CONSTITUTIONAL PROVISIONS AFFECTING TAXES AND APPROPRIATIONS

### *Proposition 13*

Article XIII A of the California Constitution limits the taxing powers of California public agencies. Article XIII A provides that the maximum ad valorem tax on real property cannot exceed 1% of the "full cash value" of the property, and effectively prohibits the levying of any other ad valorem property tax except for taxes required to pay debt service on voter-approved general obligation bonds. "Full cash value" is defined as "the County Assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment."

The "full cash value" is subject to annual adjustment to reflect inflation at a rate not to exceed 2%, or a reduction as shown in the consumer price index (or comparable local data), or a decline in property value caused by damage, destruction or other factors. The foregoing limitation does not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on certain types of indebtedness approved by the voters.

Article XII B of the California Constitution limits the amount of appropriations of local governments for "proceeds of taxes." The County's appropriation limit for "proceeds of taxes" for 2010-11 is \$16,206,518,388. The 2010-11 Final Adopted Budget includes proceeds from taxes of \$6,297,826,000, which is well below the allowable limit.

### *Proposition 62*

Proposition 62, a 1986 initiative that amended the California Constitution, requires voter approval of all new taxes or any increases to local taxes. A challenge to taxes subject to Proposition 62 may only be made for those taxes collected beginning one year before a claim is filed. Such a claim is a necessary prerequisite to the filing of a lawsuit against a public entity in California.

In February 2005 a claim was filed, and it was followed in May 2005 by a lawsuit entitled *Oronoz v County of Los Angeles* that contends the County's Utility User Tax ("UUT") did not meet the requirements of Proposition 62 and is therefore invalid. In November 2006, the trial court certified the case as a class action. In July 2008, the parties agreed to a tentative settlement



of the case, which was finally approved by the court in March 2009. The settlement, which is currently in the process of being implemented, calls for a total expenditure by the County of \$75 million to be used for tax refunds to class members and enhanced services within the areas of the County from which the tax was collected. At the outset of this lawsuit, the County established a separate reserve account to fund any liabilities resulting from the litigation. The reserve is more than sufficient to fully fund the entire \$75 million settlement. In November 2008, the County's utility user tax was approved by the voters in conformity with Proposition 62, thus removing any further concern as to its validity going forward.

On August 11, 2009, a lawsuit, *Patrick Owens and Patricia Munoz v. County of Los Angeles* was filed in Los Angeles Superior Court, challenging the imposition of the County's UUT after its passage at the election held on November 4, 2008. The complaint alleges that the impartial analysis prepared by County Counsel failed to inform the voters that: 1) the material provisions of the prior UUT were being rescinded regardless of the outcome of the election; and 2) it was not a "continuation" of an existing tax, but rather was the enactment of a completely new UUT. The County filed a demurrer and motion to strike plaintiffs' complaint on October 16, 2009. A hearing was held on April 15, 2010 in which the Court denied the County's demurrer in light of the early phase of the litigation process. The case will proceed with the discovery and class certification phases of the lawsuit. Since the November 4, 2008, election, the County estimates that \$100 million has been collected and continues to be collected at an average rate of \$5 million per month. The County intends to re-evaluate the litigation risks after any rulings on dispositive motions.

#### *Proposition 218*

Proposition 218, a 1996 initiative that added Articles XIIC and XIID to the California Constitution, established the following requirements on all taxes and property-related assessments, fees, and charges:

- precluded special purpose districts or agencies, including school districts, from levying general taxes;
- precluded any local government from imposing, extending or increasing any general tax unless such tax is approved by a majority of the electorate;
- precluded any local government from imposing, extending or increasing any special purpose tax unless such tax is approved by two-thirds of the electorate; and
- ensured that voters may reduce or repeal any local taxes, assessments, fees or charges through the initiative process.

An appellate court decision determined that Proposition 218 did not supersede Proposition 62. Consequently, voter approval alone may not be sufficient to validate the imposition of general taxes adopted, increased or extended after January 1, 1995.

Proposition 218 also expressly extends to voters the power to reduce or repeal local taxes, assessments, fees, and charges through the initiative process, regardless of the date such taxes, assessments, fees or charges were imposed. SB 919, the

Proposition Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Proposition 218, states that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. Furthermore, in the 2006 case of *Bighorn-Desert View Water Agency v. Virgil (Kelley)*, the State Supreme Court suggested that the initiative power under Proposition 218 is not free of all limitations, and could be subject to restrictions imposed by the contract clause of the United States Constitution. No assurance can be given, however, that voters in the County will not, in the future, approve an initiative that reduces or repeals local taxes, assessments, fees or charges that are deposited into the County's General Fund. In addition, "fees" and "charges" are not defined by Article XIIC or SB 919, and the scope of the initiative power under Article XIIC could include all sources of General Fund revenue not received from or imposed by the Federal or State government or derived from investment income.

#### *Proposition 1A 2004*

Proposition 1A 2004, approved by the voters in November 2004, amended the State Constitution by limiting the State's authority to reduce local sales tax rates or alter their method of allocation, shift property tax revenues from local governments to schools or community college districts, or decrease VLF revenues without providing replacement funding. Proposition 1A 2004 further amended the State Constitution by requiring the State to suspend State laws that create unfunded mandates in any year that the State does not fully reimburse local governments for their costs to comply with such mandates. Pursuant to Proposition 1A 2004, the State can no longer reallocate local property tax revenues without triggering a constitutional obligation to repay the local taxing agencies within three years, and is further prohibited from a reallocation of local property tax revenues on more than two occasions within a ten-year period.

#### *Future Initiatives*

Propositions 13, 62, 218 and 1A 2004 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting revenues of the County or the County's ability to expend revenues. There are currently nine propositions on the State Ballot for the November 2, 2010 General Election that could have varying degrees of impact on the future financial condition of the County. The outcome of these ballot measures and the future effect on County finances is unknown at this time.

#### **FEDERAL AND STATE FUNDING**

A significant portion of the County budget is comprised of revenues received from the federal and State governments. As indicated in the table "Historical Funding Requirements and Revenue Sources" on page [A-16] of this Appendix A, \$4.9 billion of the \$18.5 billion 2010-11 Final Adopted General County Budget is received from the federal government and \$4.5 billion is funded by the State. The remaining \$9.1 billion of County revenues are generated from property taxes and a



variety of other sources. The fact that 51% of General County funding is provided by the State and Federal governments underscores the County's significant reliance on outside funding sources.

#### *American Recovery and Reinvestment Act*

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act (the "ARRA"), a major economic stimulus and fiscal relief package. The ARRA's biggest financial impact to the County comes from the temporary increase in the Federal Medical Assistance Percentage ("FMAP"), which resulted in additional Federal revenue provided for non-administrative Medicaid costs and Title IV-E foster care maintenance and adoption assistance costs. The 2010-11 Final Adopted Budget includes \$185.8 million in net budgetary savings as a result of the FMAP rate increase, \$68.8 million to fund employment training programs and a \$9.6 million funding increase for the managed care rate supplement. The President's proposal for a six-month extension of the FMAP was passed, which increased the funding through June 30, 2011 at a slightly lower rate than had been expected.

#### *Federal Budget Update*

On February 1, 2010, the President released his proposed budget for Federal Fiscal Year 2011, which will begin on October 1, 2010. The President's budget aims to reduce the federal budget deficit by proposing a three-year freeze on overall spending for all non-security discretionary spending, which is spending set in annual appropriations bills. Non-security discretionary spending represents 17% of total Federal spending and an even smaller percentage of the total funding received by the County under Federal programs. Entitlement programs, most notably Medicaid, Title IV-E foster care and adoption assistance, Temporary Assistance for Needy Families ("TANF") and child support enforcement, represent a much larger portion of the County's revenue, especially when considering the significant level of State matching and maintenance-of-effort funds. Historically, Congress enacts very few, if any, major changes to health and welfare entitlement programs, and funds the vast majority of state and local grant programs at or near prior year levels. With the exception of the recently passed Federal health care reform legislation and pending jobs legislation, the County is not anticipating any significant changes in the funding level for Federal entitlement programs.

#### *State Budget Process*

Recent State budgets have reflected the State's efforts to stabilize its fiscal position in response to the challenging and uncertain economic environment. Over the past twenty years, the State budget has experienced broad fluctuations as the State responded to the economic recession of the early 1990's, the economic recovery later in that decade, the 2001 recession and recovery, and the current economic downturn. The State's budgetary decisions during the current economic downturn will have a significant financial and programmatic impact on counties, cities, and other local jurisdictions.

#### *Realignment Program*

In Fiscal Year 1991-92, the State and county governments collectively developed a program realignment system that removed State funding for certain health and welfare programs,

and provided counties with additional flexibility in the administration of such programs. Under the realignment system, participating programs are funded by a 0.5% increase in sales taxes and increased vehicle license fees. Since counties receive their share of the funding for health and welfare programs under a fixed formula prescribed by State law, the flow of funds is no longer subject to the State budget process. If sales tax and vehicle license fee revenues are not realized as expected, county governments will still maintain responsibility for the management and cost of such programs.

#### *Property Tax Shift*

In response to the State's 1993-94 recession, the State shifted \$2.1 billion in property taxes from counties and \$500 million from cities, special districts and redevelopment agencies to school and community college districts. This action reduced the County's primary source of discretionary revenue. The reduction in State funding has been partially offset by revenues from the County's share of the Proposition 172 one-half cent public safety sales tax. The Proposition 172 public safety tax, which was approved in 1993, was the State's response to help lessen the impact of the shift in property tax revenue to education.

#### **2010-11 STATE BUDGET**

On January 8, 2010, the Governor released his Fiscal Year 2010-11 Proposed State Budget (the "Proposed State Budget"), which included \$82.9 billion for General Fund expenditures and proposed solutions to close a \$19.9 billion deficit and establish a \$1 billion reserve. The total State budget deficit was comprised of shortfalls of \$6.6 billion in Fiscal Year 2009-10 and \$13.3 billion for Fiscal Year 2010-11. The County estimated that the Proposed State Budget would result in a direct funding reduction to the County of \$188.9 million, with the potential for an additional \$1.26 billion of funding reductions if the State does not receive increased Federal funding from the restructuring of the "Federal-State Relationship," as proposed by the Governor.

An additional item that could have an adverse impact on County finances is the enactment of State legislation in March 2010, which authorized a cash flow management plan that will allow the State to defer payments to counties in Fiscal Year 2010-11 for various health, mental health and social service programs, as well as for gasoline excise tax payments from the Highway User Tax Account. If a determination is made that the State's cash flow is insufficient to meet its financial obligations, payment deferrals could be implemented for periods ranging from 2 to 11 months. The County estimates that its exposure to the payment deferrals could be as high as \$500.6 million in Fiscal Year 2010-11. As prescribed by the State legislation, such deferrals must be paid to the County by May 2011, and therefore would not have an impact on the County's June 30, 2011 cash balance.

On May 14, 2010 the Governor released his May revisions to the Proposed State Budget (the "May Revision"). The May Revision included \$83.4 billion of General Fund expenditures and projected an overall budget deficit of \$19.1 billion, which was comprised of a \$7.7 billion shortfall in Fiscal Year 2009-10, a \$10.2 billion deficit in Fiscal Year 2010-11, and a recommended year-end reserve of \$1.2 billion. The estimated impact of potential funding reductions to the County in the Proposed State Budget was reduced by \$194.0 million in the May Revision to \$1.25 billion for Fiscal Year 2010-11.

On August 23, 2010, the State Controller, the State Treasurer and the Director of Finance announced that in the absence of a State Budget, they would need to accelerate the deferral of \$2.5 billion in payments to schools and \$400 million in payments to counties for the CalWORKS Program by one month to September 2010. The payment deferrals were previously scheduled for October 2010 for a period not to exceed 90 days. The three State officials stated that this action was necessary to conserve the State's cash position to provide a positive cash balance through the end of September in order to meet State priority payments, particularly debt service obligations. Based on a review of these actions, it is estimated that \$82.7 million in payments due to the Department of Public Social Services were deferred in September 2010.

After a record delay of 100 days, the Governor signed the Omnibus Budget Bill on October 8, 2010, which authorizes the 2010 State Budget Act (the "State Budget Act"). The State Budget Act estimates Fiscal Year 2009-10 revenues and transfers of \$86.92 billion, total expenditures of \$86.35 billion and a year-end deficit of \$4.80 billion, which included a negative \$5.38 billion prior-year General Fund balance, a \$6.34 billion withdrawal from the reserve for economic uncertainties and an allocation of \$1.54 billion to the reserve for the liquidation of encumbrances. For Fiscal Year 2010-11, the State Budget Act projects revenues and transfers of \$94.23 billion, total expenditures of \$86.55 billion and a year-end surplus of \$2.87 billion (net of the \$4.80 billion deficit from Fiscal Year 2009-10), of which \$1.54 billion and is budgeted to be reserved for the liquidation of encumbrances and \$1.34 billion is projected to be deposited in the reserve for economic uncertainties. The State Budget Act also includes \$963 million in General Fund expenditure reductions as a result of the Governor's line-item veto authority. Consistent with his actions over the previous two budget cycles, over 96% of the line item vetoes were directed toward reducing State funding for various health and social service programs.

The State Budget Act also includes certain reform measures that have the potential to improve the financial stability of the State in future years. The reform measures include a proposed constitutional amendment on the March 2012 ballot that would increase the maximum size of the State's Budget Stabilization Account from five percent to ten percent of annual General Fund revenues, and would further restrict the State's ability to withdraw funds from its reserves; and a pension reform measure that will reduce the benefits for newly hired State employees to levels that were in place prior to 1999. However, the State Budget Act failed to address the chronic structural budget deficit, which is expected to be a continuing problem for the State in Fiscal Year 2011-12.

The projected impact of the State Budget Act on the County is currently estimated to be a negative \$88.65 million in Fiscal Year 2010-11. The County programs that may experience funding reductions include Mental Health (\$53.5 million), Public Health (\$12.1 million), Social Services (\$15.3 million) and General Government (\$7.75 million).

As a result of the current economic conditions and the continuing fiscal crisis in California, the financial condition of the State remains highly uncertain. Many future events will affect the amount of funding that is actually received by the County from the State and Federal governments. As a result, the information in this Official Statement (including this Appendix A) relating to State and Federal funding is based upon the County's current

expectations and is subject to change due to the occurrence of future events.

## RECENT COUNTY BUDGETS

Recent General County Budgets have reflected a conservative approach and have sought to maintain a stable budgetary outlook in an uncertain fiscal environment. County budgets have improved stability due to the passage of Proposition 1A 2004, which secured long-term financial protection from a State reallocation of property tax revenues during times of State fiscal crisis. Proposition 1A 2004 provides the County with a more reliable funding source by substituting VLF revenue with property taxes, which have historically been one of the least volatile sources of revenue.

The reliability of property tax revenues is due in large part to Proposition 13, which helps to insulate the County from the cyclical nature of the real estate market. Proposition 13 limits the growth of assessed valuations and allows for reassessments when a property is sold or when new construction occurs. Assessed valuation can also be adjusted for inflation or deflation. As a result of Proposition 13, there is a significant amount of "stored" home value appreciation that had not been reflected on the property tax rolls and has helped to offset a significant decrease in property values during the current economic downturn. The County Assessor estimates that approximately 14.6% of all residential parcels and 17.5% of commercial-industrial parcels are 1975 base-year parcels in the Fiscal Year 2010-11 tax roll. The assessed value of the 1975 base-year parcels has increased by no more than 2% each year since the passage of Proposition 13, while the increase in the market value of these parcels has greatly exceeded the 2% annual increase in assessed valuation since 1975. To illustrate this point, average median home prices in the County declined by 43% from their peak in August 2007 (\$562,346) to a cyclical low in February 2010 (\$318,392), but the value of the property tax roll (the "Net Local Roll") decreased by only 0.5% in Fiscal Year 2009-10 and 1.9% in Fiscal Year 2010-11.

The largest contributor to the decrease in assessed valuation for 2010-11 is the reassessment of properties under Proposition 8, a constitutional amendment that allows a temporary reduction in assessed value when a property suffers a "decline in value." Proposition 8 reassessments resulted in a \$24.3 billion reduction in the Net Local Roll for Fiscal Year 2010-11. A significant factor contributing to the Proposition 8 reductions in assessed value is the County Assessor's decision to initiate Proposition 8 reviews of all homes sold between July 2003 and June 2008. In addition to the Proposition 8 adjustments, assessed valuation is expected to decline by \$2.1 billion for deflation, \$3.9 billion for changes to personal property and fixtures and \$1.3 billion for increased exemptions. The Fiscal Year 2010-11 Net Local Roll is projected to include \$12.6 billion of additional value to reflect changes in ownership, new construction and changes in the value of homeowners' exemptions. Overall, these adjustments resulted in a reduction in the value of the Net Local Roll by \$19.8 billion in Fiscal Year 2010-11.

## 2009-10 FINAL ADOPTED COUNTY BUDGET

The 2009-10 Final Adopted County Budget (the "2009-10 Final Adopted Budget"), which was approved by the Board of Supervisors on September 22, 2009, appropriated \$23.6 billion,

representing a 1.7% increase from the previous Fiscal Year. For General County purposes (General Fund and Hospital Enterprise Funds), the 2009-10 Final Adopted Budget appropriated \$18.5 billion, which represented a 1.8% increase from the 2008-09 Final Adopted Budget. The 2009-10 Final Adopted Budget included a net decrease of 1,345 budgeted positions from the previous fiscal year.

In connection with the 2009-10 Final Adopted Budget, the Board of Supervisors approved the CEO's supplemental budget request to eliminate \$153.5 million in appropriations as a result of State budget cuts. Due to curtailments in State programs, the County made the decision not to backfill certain administrative costs in relation to both the CalWORKs and Medi-Cal Programs.

## 2010-11 FINAL ADOPTED COUNTY BUDGET

The 2010-11 Final Adopted County Budget (the "2010-11 Final Adopted Budget") is shaped largely by the effects of a severe and prolonged economic downturn, which continues to have a significant impact on the County. The 2010-11 Final Adopted Budget, which was approved by the Board of Supervisors on September 28, 2010, appropriates \$24.2 billion, representing a 2.7% increase from the previous fiscal year. For General County purposes (General Fund and Hospital Enterprise Fund), the 2010-11 Final Adopted Budget appropriates \$18.5 billion, which represents a 0.1% decrease from the 2009-10 Final Adopted Budget. The 2010-11 Final Adopted Budget reflects a net increase of 183.0 budgeted positions from the 2009-10 Final Adopted Budget. The increase in budgeted positions is primarily due to changes in the County's reporting convention for certain part-time employees. If these part-time positions had also been reported in the 2009-10 Final Adopted Budget, the result would have been a net decrease of 808 budgeted positions for Fiscal Year 2010-11.

The 2010-11 Final Adopted Budget includes additional appropriations relative to the 2010-11 Proposed County Budget in the amount of \$527.9 million for the General County Budget and \$542.0 million for Special Districts and Special Funds. The increase in appropriations for the General County Budget are funded by an \$135.9 million increase in the fiscal year-end fund balance, a \$10.6 million increase in locally generated revenues, an increase of \$189.4 in revenue offsets from various funding sources, and various other administrative changes of \$192.0 million.

For the second year in a row, the County has experienced an overall reduction in assessed property valuation. For Fiscal Year 2010-11, the Assessor is forecasting a 1.9% decrease in the Net Local Roll. The 1.9% reduction in assessed valuation for Fiscal Year 2010-11 corresponds to a \$113.1 million decrease in property tax revenue from the previous Fiscal Year.

Compared to Fiscal Year 2009-10 budgeted amounts, the County continues to see reductions in a number of key revenue sources tied to consumer spending, which include Proposition 172 public safety sales tax, VLF-realignment, realignment sales tax, and local sales tax. However, since the current data suggests that economic conditions may be improving, the 2010-11 Final Adopted Budget assumes a 4% increase in taxable sales and a 2% increase in VLF-realignment from the previous Fiscal Year. Although the County is forecasting modest growth in these revenue sources, the estimates for Fiscal Year 2010-11 are still below the budgeted amounts in Fiscal Year 2009-10.

As a result of the rising unemployment rate, the County has experienced a significant increase in the number of residents seeking public assistance, with a corresponding increase in general relief caseloads and costs to the County. The cost of providing general relief assistance is particularly acute, as the County is responsible for funding the entire cost of this program. Most economists are forecasting that the unemployment rate has already peaked, or will soon peak, and the County is beginning to see that monthly increases in the general relief caseload have stabilized. While the County's general relief estimates reflect the assumption that caseloads have peaked, 2010-11 general relief expenditures costs will be greater than Fiscal Year 2009-10 expenditures.

In the 2010-11 Final Adopted Budget, the County is projecting a \$491.6 million General Fund Net County Cost ("NCC") budget gap. NCC is the portion of the County budget that is financed with discretionary funding (also known as locally generated revenues). The major components of the Fiscal Year 2010-11 NCC budget gap are described in the following table:

### Fiscal Year 2010-11 NCC Budget Gap

Revenue Reductions	
Property Taxes	\$113.1 million
Public Safety Sales Tax	18.2 million
Realignment Sales Tax	10.3 million
Registrar-Recorder Shortfall	19.0 million
Various Revenue Changes	(4.4) million
Assistance Caseload Increases	
General Relief	82.4 million
In-Home Support Services	16.0 million
Other Caseload Changes	8.7 million
Expiration of FMAP Extension	38.8 million
Unavoidable Cost Increases	
Pension Costs	80.5 million
Health Insurance Subsidy	50.4 million
Net Program Changes	30.3 million
Supplement Reserves	28.3 million
<b>Total Projected Budget Gap</b>	<b>\$491.6 million</b>

To close this budget gap the County will utilize a combination of ongoing and one-time solutions, including the use of reserves. The major components of the Fiscal Year 2010-11 NCC budget gap solutions are described in the following table:

### Fiscal Year 2010-11 NCC Budget Gap Solutions

Ongoing Departmental Budget Curtailment	\$173.0 million
Ongoing Revenue Solutions	13.0 million
One-Time Bridge Funding	167.2 million
Federal Stimulus Funding	26.2 million
Labor-Management Savings	51.0 million
Excess Prior Year Fund Balance	61.2 million
<b>Total Budget Gap Solutions</b>	<b>\$491.6 million</b>

### Departmental Budget Curtailments

Each County department, with the exception of DHS, was asked to submit a Budget request for 2010-11 that included a 9% NCC reduction. DHS is expected to resolve its \$253.3 million budget

shortfall in Fiscal Year 2010-11, which represents a 7.2% curtailment from their \$3.5 billion budget appropriation. After reviewing the results of the NCC reduction exercise and analyzing the potential impact, the County modified some of the NCC curtailments. These reductions resulted in \$173.0 million of ongoing departmental funding reductions, either through curtailments or revenue increases.

#### *One-Time Bridge Funding*

In previous years, the County was able to set aside funds for capital projects and for a "rainy day" reserve. County budget policy requires the CEO to target a 10% reserve of locally generated revenues to be set aside in the Reserve for Rainy Day Fund. One generally accepted use of a rainy day fund is to protect against reducing service levels due to temporary revenue shortfalls. In light of the recent improvements in economic conditions and the return to a modest level of growth, the County believes that it is fiscally responsible to utilize some of its reserves and capital project funds to help bridge the current budget gap.

After accounting for the use of approximately \$110 million of reserves in the 2010-11 Final Adopted Budget, the County will still have \$328 million of reserves available to help address future economic challenges. However, due to the significant level of uncertainty related to both the State and local economies, the County does not recommend using additional reserves to close the current budget gap. In accordance with the budget policy, the County intends to replenish its reserve funds once the economy returns to historical levels of growth and the budget situation improves.

#### *Federal Stimulus Funding*

The American Recovery and Reinvestment Act of 2009 ("ARRA"), among other things, temporarily increased the FMAP, which is the federal match rate for non-administrative costs. The FMAP change is projected to temporarily decrease the County's contribution to the In-Home Supportive Services ("IHSS") program. A change in the FMAP percentage also affects other County administered programs. An extension of the FMAP rate increase was approved for all of Fiscal Year 2010-11, but at a slightly lower rate than had been expected.

#### *Labor-Management Savings*

The County has initiated a process to work cooperatively with County labor unions regarding potential cost savings, which was originally estimated at \$115.0 million in the 2010-11 Proposed Budget. As a result of excess fund balance identified during the year-end closing process, the County was able to reduce the targeted Labor-Management savings amount to \$51.0 million in the 2010-11 Final Adopted Budget. To the extent the County is unable to negotiate meaningful savings with its collective bargaining units, the County will likely initiate deeper curtailments and service reductions, including the potential for a significantly higher number of layoffs.

#### *Health Services Budget*

The structural deficit in the DHS budget represents one of the County's most difficult budgetary challenges. To address its projected budgetary shortfall in Fiscal Year 2010-11 and in future years, DHS continues to implement a number of cost saving and revenue generating initiatives through their Financial Stabilization

Plan efforts. The 2010-11 Final Adopted Budget includes \$120.5 million in savings related to these initiatives and an additional \$253.3 million in unspecified cost reductions and revenue solutions. To address its structural deficit, DHS continues to focus on high-impact revenue solutions, including the hospital provider fee and the next Hospital Financing Waiver (the "Waiver").

The amended hospital provider fee bill, AB 1383, signed by the Governor in September 2010, is currently pending approval by the Centers for Medicare and Medicaid Services ("CMS"), which is expected to occur by December 2010. The estimated value of the hospital provider fee to the County for Fiscal Years 2008-09, 2009-10 and 2010-11 is \$12.8 million, \$131.4 million and \$57.7 million, respectively.

DHS is actively participating in negotiating the terms of the next Waiver in order to maximize the potential benefits available to the County and other public hospitals. The current Waiver has been extended for 60 days from the original expiration date of August 31, 2010. The extension of the Waiver ensures that while negotiations between the State and CMS continue on the new Waiver, payments under the current Waiver will continue to be made. DHS has also provided the State with a proposal, developed in discussions with L.A. Care, for the transition of Medi-Cal Seniors and Persons with Disabilities into managed care, which is one of the State's Waiver goals. DHS continues to actively collaborate with the California Association of Public Hospitals and Health Systems and other stakeholders, and continues to engage the State directly on Waiver concerns.

The passage of Federal health care reform is expected to have an overall positive impact on DHS in future fiscal years. There are provisions to expand Medi-Cal eligibility beginning in 2014, which will provide coverage for a significant number of DHS' uninsured patients. There are corresponding proposed reductions in the Disproportionate Share Hospital ("DSH") funding beginning in 2014. The net benefit of anticipated increases in Medi-Cal revenue offsets with DHS reductions cannot be estimated at this time, and will depend on many factors, such as the level of reimbursement rates and how many patients stay in the DHS system once they have other care options.

In order to ensure that the County health delivery system is better prepared for the changes resulting from Federal health care reform, the Board of Supervisors recently approved recommendations from a consultant to explore the development of an integrated safety net delivery system, which would include DHS, community clinics, other safety net hospitals, and behavioral health providers. An integrated system would be designed to more effectively align the health care delivery system to serve the population of patients who are likely to be moved into Medi-Cal managed care. Given the pending implementation of Federal health care reform in 2014, it may be necessary for DHS to utilize one-time bridge funding to help facilitate the transition of DHS to a new health care delivery system for the County.

The County is committed to continuing its work with the State and other stakeholders to identify other legislative solutions, and is constantly exploring new funding opportunities. The continuing focus for DHS is the preservation of County services as a balanced health care delivery system, in the following order of priority for the delivery of services: (1) trauma and emergency

services; (2) acute inpatient care; (3) tertiary care and specialty services; and (4) primary care. DHS will continue to update the Board of Supervisors on the status of current efforts to increase revenues and reduce on-going costs, and will make necessary adjustments to in the 2010-11 Final Adopted Budget, as more information becomes available.

#### *Martin Luther King Jr. – Harbor Hospital*

In August 2007, the CMS notified the County that Martin Luther King, Jr. – Harbor Hospital (the "MLK Hospital") had lost its Medicare and Medicaid certification. To remedy this situation, MLK Hospital was converted into a Multi-Service Ambulatory Care Center, while additional inpatient beds were opened at other County hospitals and purchased from the private sector. On October 12, 2007, Governor Schwarzenegger signed into law Senate Bill 474 to establish a \$100 million annual fund, named the South Los Angeles Medical Services Preservation Fund, to stabilize the health services for low-income, under-served residents of South Los Angeles. The continuation of this fund is currently in the legislative process (AB 2599) and has passed both houses in the California Legislature.

The County and the University of California ("UC"), with the involvement of Governor Schwarzenegger's Office, have approved a plan to create a wholly independent, non-profit 501(c)(3) entity to operate a new hospital at the previous MLK Hospital site. The new MLK Hospital would serve as a safety-net provider treating a high volume of Medi-Cal and uninsured patients, be integrated with the County's existing network of specialty and primary care ambulatory clinics, and optimize public and private resources to fund the delivery of services. The seven-member MLK Hospital Board of Directors was appointed by the County and UC in August 2010 and is proceeding with efforts to open a new MLK Hospital. Construction of the new MLK Hospital facility is expected to be completed by in 2013.

#### *Tobacco Settlement Revenue*

In November 1998, the attorneys general of 46 states (including the State of California) and other territories reached agreement with the then four largest United States tobacco manufacturers to settle more than forty pending lawsuits brought by these public entities.

The Master Settlement Agreement (the "MSA") requires the tobacco companies to make payments to the states in perpetuity, with the payments totaling an estimated \$206.0 billion through the year 2025. California will receive 12.76%, or approximately \$25.0 billion of the total settlement. While the County's share of the State settlement is expected to average an estimated \$105.0 million each year, the amount of settlement funding may fluctuate significantly from year to year. Factors that could impact the annual payments to the State include actions of the Federal government, declines in cigarette sales, lawsuits, tobacco company bankruptcies, and various adjustments under the terms of the MSA. To date there have been multiple legal challenges to the MSA under a variety of claims, including claims on anti-trust and Commerce Clause grounds. None of these lawsuits has been successful or resulted in the termination of the original agreement. However, recent actions by certain participating manufacturers have reduced the settlement funding received by the State and may adversely impact future payments. Specifically, a portion of the settlement payments have been withheld or made under protest.

Neither the MSA nor the Memorandum of Understanding restricts the use of the County's settlement funds to any specific purpose. Proceeds received by the County from the settlement have been deposited in the County's General Fund and reserved in a designation for health services. Through June 2010, the County has received \$1.242 billion in tobacco settlement revenues ("TSRs") and accrued interest, with approximately \$1.085 billion of the collected proceeds disbursed, and \$157 million remaining in reserves. While DHS has identified programmatic uses for projected ongoing TSRs, it continues to develop plans to use the funds currently in reserve, primarily for one-time uses that help address its ongoing budget deficit.

In February 2006, the County issued \$319.8 million in tax-exempt Tobacco Settlement Asset-Backed Bonds (the "Tobacco Bonds"). The Tobacco Bonds are secured and payable from 25.9% of the County's TSRs beginning in 2011, which is also the year in which debt service on the Tobacco Bonds commences. The sale of the Tobacco Bonds was undertaken to finance construction costs related to the LAC+USC Medical Center, as well as to partially insure against the risk of a significant reduction of the County's ongoing TSRs. The use of this fixed percentage of TSRs as security for the repayment of the Tobacco Bonds is not expected to materially impact the DHS programs that rely on such revenues for funding.

#### **BUDGET TABLES**

The 2010-11 Final Adopted Budget is supported by \$3.7 billion in property taxes, \$4.9 billion in federal contributions, \$4.5 billion in State contributions, \$0.4 billion in cancelled reserves and designations, \$1.6 billion in fund balance and approximately \$3.4 billion in other funding.

The tables on the following pages provide historical detail on General County budget appropriations, along with a summary and comparison of the 2009-10 Final Adopted Budget with the 2010-11 Final Adopted Budget.

**County of Los Angeles: General County Budget  
Historical Appropriations by Fund  
(in thousands)**

<b>Fund</b>	<b>Final 2006-07</b>	<b>Final 2007-08</b>	<b>Final 2008-09</b>	<b>Final 2009-10</b>	<b>Final 2010-11</b>
General Fund	\$ 14,837,253	\$ 15,981,000	\$ 16,273,308	\$ 16,368,794	\$ 16,380,905
Hospital Enterprise Fund	1,773,047	1,818,990	1,897,508	2,121,468	2,127,184
Debt Service Fund	9,554	-	-	-	-
<b>Total General County Budget</b>	<b>\$ 16,619,854</b>	<b>\$ 17,799,990</b>	<b>\$ 18,170,816</b>	<b>\$ 18,490,262</b>	<b>\$ 18,508,089</b>

**County of Los Angeles: General County Budget  
Historical Funding Requirements and Revenue Sources  
(in thousands)**

	<b>Final 2006-07</b>	<b>Final 2007-08</b>	<b>Final 2008-09</b>	<b>Final 2009-10</b>	<b>Final 2010-11</b>
<b>Requirements</b>					
Social Services	\$ 4,749,055	\$ 4,991,495	\$ 5,166,283	\$ 5,503,085	\$ 5,707,144
Health	4,930,299	5,307,606	5,322,713	5,338,390	5,424,321
Justice	4,177,707	4,499,905	4,719,253	4,693,943	4,745,700
Other	2,762,793	3,000,984	2,962,567	2,954,844	2,630,924
<b>Total</b>	<b>\$ 16,619,854</b>	<b>\$ 17,799,990</b>	<b>\$ 18,170,816</b>	<b>\$ 18,490,262</b>	<b>\$ 18,508,089</b>
<b>Revenue Sources</b>					
Property Taxes	\$ 3,246,500	\$ 3,628,517	\$ 3,840,369	\$ 3,789,308	\$ 3,676,161
State Assistance	4,716,625	4,963,934	4,818,285	4,554,097	4,528,710
Federal Assistance	4,091,431	3,963,490	4,104,390	4,730,605	4,868,199
Other	4,565,298	5,244,049	5,407,772	5,416,252	5,435,019
<b>Total</b>	<b>\$ 16,619,854</b>	<b>\$ 17,799,990</b>	<b>\$ 18,170,816</b>	<b>\$ 18,490,262</b>	<b>\$ 18,508,089</b>

**County of Los Angeles: General County Budget  
Historical Summary of Funding Requirements by Budgetary Object and Available Financing  
(in thousands)**

	<b>Final 2006-07</b>	<b>Final 2007-08</b>	<b>Final 2008-09</b>	<b>Final 2009-10</b>	<b>Final 2010-11</b>
<b>Financing Requirements</b>					
Salaries & Employee Benefits	\$ 7,701,124	\$ 8,437,462	\$ 8,792,005	\$ 8,974,526	\$ 9,004,826
Services & Supplies	5,480,217	5,859,213	6,192,312	6,350,306	6,530,982
Other Charges	3,031,605	3,127,968	3,233,859	3,350,510	3,503,195
Capital Assets	1,269,445	1,510,033	1,436,772	1,257,509	1,077,873
Other Financing Uses	1,130,994	1,155,780	985,458	726,958	704,520
Residual Equity Transfers Out	379	278	181	295	-
Interbudget Transfers <sup>1</sup>	(1,547,962)	(1,643,528)	(1,579,769)	(1,325,677)	(1,452,816)
Gross Appropriation	\$ 17,065,802	\$ 18,447,206	\$ 19,060,818	\$ 19,334,427	\$ 19,368,580
Less: Intrafund Transfers	791,309	888,376	912,753	915,868	946,497
Net Appropriation	\$ 16,274,493	\$ 17,558,830	\$ 18,148,065	\$ 18,418,559	\$ 18,422,083
<b>Reserves</b>					
General Reserve	\$ 3,439	\$ 3,000	\$ 5,400	\$ 3,000	\$ -
Designations/Other Reserves	341,871	238,160	17,351	68,703	86,006
Estimated Delinquencies	51	-	-	-	-
<b>Total Financing Requirements</b>	<b>\$ 16,619,854</b>	<b>\$ 17,799,990</b>	<b>\$ 18,170,816</b>	<b>\$ 18,490,262</b>	<b>\$ 18,508,089</b>
<b>Available Financing</b>					
Fund Balance	\$ 1,073,017	\$ 1,706,356	\$ 1,808,804	\$ 1,713,428	\$ 1,628,644
Cancellation of Reserve/Designation	823,328	478,323	345,500	437,653	409,097
Property Taxes: Regular Roll	3,132,117	3,439,292	3,735,359	3,732,264	3,654,517
Supplemental Roll	114,383	189,225	105,010	57,044	21,644
Revenue	11,477,009	11,986,794	12,176,143	12,549,873	12,794,187
<b>Total Available Financing</b>	<b>\$ 16,619,854</b>	<b>\$ 17,799,990</b>	<b>\$ 18,170,816</b>	<b>\$ 18,490,262</b>	<b>\$ 18,508,089</b>

<sup>1</sup> This amount includes certain non-program expenditures and revenues that are included in the budget for accounting purposes. Failure to exclude such amounts, totaling \$1.4 billion in 2010-11, from the above table would give the impression that there are more resources than are actually available and artificially inflate General County appropriations to \$19.4 billion.

Source: Chief Executive Office

**COUNTY OF LOS ANGELES  
GENERAL COUNTY BUDGET  
COMPARISON OF FINAL ADOPTED 2009-10 BUDGET TO PROPOSED 2010-11 BUDGET  
Net Appropriation: By Function  
(In thousands)**

Function	2009-10 Final Budget <sup>(1)</sup>	2010-11 Proposed Budget <sup>(2)</sup>	Difference	Percentage Difference
<b>REQUIREMENTS</b>				
General				
General Government	\$ 886,467.0	\$ 887,319.0	\$ 852.0	0.10%
General Services	725,775.0	592,911.0	(132,864.0)	-18.31%
Public Buildings	1,139,464.0	894,933.0	(244,531.0)	-21.46%
Total General	\$ 2,751,706.0	\$ 2,375,163.0	\$ (376,543.0)	-13.68%
Public Protection				
Justice	\$ 4,409,250.0	\$ 4,475,587.0	\$ 66,337.0	1.50%
Other Public Protection	175,759.0	188,832.0	13,073.0	7.44%
Total Public Protection	\$ 4,585,009.0	\$ 4,664,419.0	\$ 79,410.0	1.73%
Health and Sanitation	5,290,921.0	5,394,110.0	103,189.0	1.95%
Public Assistance	5,457,888.0	5,648,852.0	190,964.0	3.50%
Recreation and Cultural Services	263,341.0	269,845.0	6,504.0	2.47%
Insurance and Loss Reserve	69,694.0	69,694.0	-	0.00%
Reserves/Designations	71,703.0	86,006.0	14,303.0	19.95%
Appropriation for Contingency	-	-	-	0.00%
<b>Total Requirements</b>	<b>\$ 18,490,262.0</b>	<b>\$ 18,508,089.0</b>	<b>\$ 17,827.0</b>	<b>0.10%</b>
<b>AVAILABLE FUNDS</b>				
Property Taxes	\$ 3,789,308.0	\$ 3,676,161.0	\$ (113,147.0)	-2.99%
Fund Balance	1,713,428.0	1,628,644.0	(84,784.0)	-4.95%
Cancelled Prior-Year Reserves	437,653.0	409,097.0	(28,556.0)	-6.52%
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	\$ 448,788.0	\$ 430,075.0	\$ (18,713.0)	-4.17%
Homeowners' Exemption	20,500.0	20,500.0	-	0.00%
Public Assistance Subventions	1,537,677.0	1,628,614.0	90,937.0	5.91%
Other Public Assistance	484,680.0	495,256.0	10,576.0	2.18%
Public Protection	798,476.0	752,793.0	(45,683.0)	-5.72%
Health and Mental Health	768,723.0	774,158.0	5,435.0	0.71%
Capital Projects	24,841.0	25,397.0	556.0	2.24%
Other State Revenues	51,709.0	52,091.0	382.0	0.74%
Total State Revenues	\$ 4,135,394.0	\$ 4,178,884.0	\$ 43,490.0	1.05%
Federal Revenues				
Public Assistance Subventions	\$ 2,506,961.0	\$ 2,459,088.0	\$ (47,873.0)	-1.91%
Other Public Assistance	231,167.0	324,133.0	92,966.0	40.22%
Public Protection	180,419.0	210,632.0	30,213.0	16.75%
Health and Mental Health	816,028.0	893,912.0	77,884.0	9.54%
Capital Projects	20,550.0	27,053.0	6,503.0	31.64%
Other Federal Revenues	28,515.0	53,703.0	25,188.0	88.33%
Total Federal Revenues	\$ 3,783,640.0	\$ 3,968,521.0	\$ 184,881.0	4.89%
Other Governmental Agencies	137,213.0	141,001.0	3,788.0	2.76%
Total Intergovernmental Revenues	\$ 8,056,247.0	\$ 8,288,406.0	\$ 232,159.0	
Fines, Forfeitures and Penalties	217,611.0	224,625.0	7,014.0	3.22%
Licenses, Permits and Franchises	50,528.0	46,064.0	(4,464.0)	-8.83%
Charges for Services	2,903,195.0	2,971,525.0	68,330.0	2.35%
Other Taxes	166,770.0	167,216.0	446.0	0.27%
Use of Money and Property	113,989.0	117,440.0	3,451.0	3.03%
Miscellaneous Revenues	416,659.0	338,160.0	(78,499.0)	-18.84%
Operating Contribution from General Fund	624,874.0	640,751.0	15,877.0	2.54%
<b>Total Available Funds</b>	<b>\$ 18,490,262.0</b>	<b>\$ 18,508,089.0</b>	<b>\$ 17,827.0</b>	<b>0.10%</b>

(1) Reflects the Final Adopted 2009-10 General County Budget approved by the Board of Supervisors on September 22, 2009.

(2) Reflects the 2010-11 Final Adopted General County Budget approved by the Board of Supervisors on September 28, 2010.

**COUNTY OF LOS ANGELES**  
**FINAL ADOPTED 2009-10 GENERAL COUNTY BUDGET (1)**  
**Net Appropriation: By Fund and Function**  
**(In thousands)**

Function	General Fund	Hospital Enterprise Fund	Total General County
<b>REQUIREMENTS</b>			
General			
General Government	\$ 886,467.0	\$ -	\$ 886,467.0
General Services	725,775.0	-	725,775.0
Public Buildings	1,139,464.0	-	1,139,464.0
Total General	\$ 2,751,706.0	\$ -	\$ 2,751,706.0
Public Protection			
Justice	\$ 4,409,250.0	\$ -	\$ 4,409,250.0
Other Public Protection	175,759.0	-	175,759.0
Total Public Protection	\$ 4,585,009.0	\$ -	\$ 4,585,009.0
Health and Sanitation	\$ 3,169,453.0	\$ 2,121,468.0	\$ 5,290,921.0
Public Assistance	5,457,888.0	-	5,457,888.0
Recreation and Cultural Services	263,341.0	-	263,341.0
Insurance and Loss Reserve	69,694.0	-	69,694.0
Reserves/Designations	71,703.0	-	71,703.0
Appropriation for Contingency	-	-	-
<b>Total Requirements</b>	<b>\$ 16,368,794.0</b>	<b>\$ 2,121,468.0</b>	<b>\$ 18,490,262.0</b>
<b>AVAILABLE FUNDS</b>			
Property Taxes	\$ 3,789,308.0	\$ -	\$ 3,789,308.0
Fund Balance	1,713,428.0	-	1,713,428.0
Cancelled Prior-Year Reserves	398,615.0	39,038.0	437,653.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	\$ 448,788.0	\$ -	\$ 448,788.0
Homeowners' Exemption	20,500.0	-	20,500.0
Public Assistance Subventions	1,537,677.0	-	1,537,677.0
Other Public Assistance	484,680.0	-	484,680.0
Public Protection	798,476.0	-	798,476.0
Health and Mental Health	728,837.0	39,886.0	768,723.0
Capital Projects	24,841.0	-	24,841.0
Other State Revenues	51,709.0	-	51,709.0
Total State Revenues	4,095,508.0	39,886.0	\$ 4,135,394.0
Federal Revenues			
Public Assistance Subventions	\$ 2,506,961.0	\$ -	\$ 2,506,961.0
Other Public Assistance	231,167.0	-	231,167.0
Public Protection	180,419.0	-	180,419.0
Health and Mental Health	813,518.0	2,510.0	816,028.0
Capital Projects	20,550.0	-	20,550.0
Other Federal Revenues	28,515.0	-	28,515.0
Total Federal Revenues	\$ 3,781,130.0	\$ 2,510.0	\$ 3,783,640.0
Other Governmental Agencies	137,213.0	-	137,213.0
Total Intergovernmental Revenues	\$ 8,013,851.0	\$ 42,396.0	\$ 8,056,247.0
Fines, Forfeitures and Penalties	217,611.0	-	217,611.0
Licenses, Permits and Franchises	50,402.0	126.0	50,528.0
Charges for Services	1,730,156.0	1,173,039.0	2,903,195.0
Other Taxes	166,770.0	-	166,770.0
Use of Money and Property	111,652.0	2,337.0	113,989.0
Miscellaneous Revenues	177,001.0	239,658.0	416,659.0
Operating Contribution from General Fund	-	624,874.0	624,874.0
<b>Total Available Funds</b>	<b>\$ 16,368,794.0</b>	<b>\$ 2,121,468.0</b>	<b>\$ 18,490,262.0</b>

(1) Reflects the Final Adopted 2009-10 General County Budget approved by the Board of Supervisors on September 22, 2009.



**COUNTY OF LOS ANGELES**  
**FINAL ADOPTED 2010-11 GENERAL COUNTY BUDGET (1)**  
**Net Appropriation: By Fund and Function**  
**(In thousands)**

Function	General Fund	Hospital Enterprise Fund	Total General County
<b>REQUIREMENTS</b>			
General			
General Government	\$ 887,319.0	\$ -	\$ 887,319.0
General Services	592,911.0	-	592,911.0
Public Buildings	894,933.0	-	894,933.0
Total General	\$ 2,375,163.0	\$ -	\$ 2,375,163.0
Public Protection			
Justice	\$ 4,475,587.0	\$ -	\$ 4,475,587.0
Other Public Protection	188,832.0	-	188,832.0
Total Public Protection	\$ 4,664,419.0	\$ -	\$ 4,664,419.0
Health and Sanitation	\$ 3,266,926.0	\$ 2,127,184.0	\$ 5,394,110.0
Public Assistance	5,648,852.0	-	5,648,852.0
Recreation and Cultural Services	269,845.0	-	269,845.0
Insurance and Loss Reserve	69,694.0	-	69,694.0
Reserves/Designations	86,006.0	-	86,006.0
Appropriation for Contingency	-	-	-
<b>Total Requirements</b>	<b>\$ 16,380,905.0</b>	<b>\$ 2,127,184.0</b>	<b>\$ 18,508,089.0</b>
<b>AVAILABLE FUNDS</b>			
Property Taxes	\$ 3,676,161.0	\$ -	\$ 3,676,161.0
Fund Balance	1,628,644.0	-	1,628,644.0
Cancelled Prior-Year Reserves	405,168.0	3,929.0	409,097.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	\$ 430,075.0	\$ -	\$ 430,075.0
Homeowners' Exemption	20,500.0	-	20,500.0
Public Assistance Subventions	1,628,614.0	-	1,628,614.0
Other Public Assistance	495,256.0	-	495,256.0
Public Protection	752,793.0	-	752,793.0
Health and Mental Health	733,169.0	40,989.0	774,158.0
Capital Projects	25,397.0	-	25,397.0
Other State Revenues	52,091.0	-	52,091.0
Total State Revenues	4,137,895.0	40,989.0	4,178,884.0
Federal Revenues			
Public Assistance Subventions	\$ 2,459,088.0	\$ -	\$ 2,459,088.0
Other Public Assistance	324,133.0	-	324,133.0
Public Protection	210,632.0	-	210,632.0
Health and Mental Health	891,402.0	2,510.0	893,912.0
Capital Projects	27,053.0	-	27,053.0
Other Federal Revenues	53,703.0	-	53,703.0
Total Federal Revenues	\$ 3,966,011.0	\$ 2,510.0	\$ 3,968,521.0
Other Governmental Agencies	141,001.0	-	141,001.0
Total Intergovernmental Revenues	\$ 8,244,907.0	\$ 43,499.0	\$ 8,288,406.0
Fines, Forfeitures and Penalties	224,625.0	-	224,625.0
Licenses, Permits and Franchises	45,938.0	126.0	46,064.0
Charges for Services	1,757,331.0	1,214,194.0	2,971,525.0
Other Taxes	167,216.0	-	167,216.0
Use of Money and Property	117,267.0	173.0	117,440.0
Miscellaneous Revenues	113,648.0	224,512.0	338,160.0
Operating Contribution from General Fund	-	640,751.0	640,751.0
<b>Total Available Funds</b>	<b>\$ 16,380,905.0</b>	<b>\$ 2,127,184.0</b>	<b>\$ 18,508,089.0</b>

(1) Reflects the Final Adopted 2010-11 General County Budget approved by the Board of Supervisors on September 28, 2010.

# FINANCIAL SUMMARY

## PROPERTY TAX RATE, VALUATION AND LEVY

Taxes are levied each fiscal year on taxable real and personal property located in the County as of the preceding January 1st. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). For assessment and collection purposes, property is classified either as "secured" or "unsecured", and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and property secured by a lien on real property which is sufficient, in the opinion of the Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County of Los Angeles levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situated" growth in assessed value (new construction, change of ownership, and inflation) prorated among the jurisdictions which serve the tax areas where the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special districts.

## PAYMENT DATES AND LIENS

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, with a ten percent penalty assessed to any delinquent payments. In addition, any property on the secured roll with delinquent taxes as of July 1 is declared tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and a redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the County Treasurer and Tax Collector.

Property taxes on the unsecured roll are due as of the January 1st lien date and become delinquent, if unpaid, by August 31st. A ten percent penalty attaches to delinquent property taxes on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue on November 1st. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

## LARGEST TAXPAYERS

The twenty largest taxpayers in the County, as shown on the Fiscal Year 2010-11 secured tax roll, and the approximate amounts of their aggregate levies for all taxing jurisdictions within the County are shown below. Property owned by the twenty largest taxpayers had a full cash value of \$34,871,407,683 which constitutes only 3.5% of the total full cash value for the entire County.

Taxpayer	Total Tax Levy 2010-11
Southern California Edison Co.	\$ 56,157,978
Douglas Emmett Residential	40,649,287
BP West Coast/Arco Terminal Services	34,358,078
Maguire Properties	31,225,484
Chevron USA Inc./Texaco	26,121,980
Trizecahn Colony Square GP LLC	22,825,119
Exxon Mobil Corporation	21,147,189
AT&T/Pacific Bell Telephone Co.	21,102,657
Verizon/MCI Communications Services	20,322,051
Southern California Gas Company	19,133,041
Conocophillips Co/Union Oil	18,555,751
Universal Studios LLC	16,357,335
Archstone Smith/Tishman Speyer	14,772,892
Long Beach Unit	13,846,886
Macerich	12,778,222
Valero Refining Company	12,771,350
EQP/ERP Limited	12,649,618
Tesoro Refining and Marketing Co.	11,425,751
ASN Woodland Hills East LLC	11,237,916
Boeing North American Inc.	10,734,260
	<b>\$ 428,172,845</b>

Total may not add due to rounding.

Source: Los Angeles County Treasurer and Tax Collector

## PROPERTY TAXATION AND COLLECTIONS

The table on the following page compares the assessed cash values, property tax levies and collections since 2006-07.

COUNTY OF LOS ANGELES  
COMPARISON OF FULL CASH VALUE  
PROPERTY TAXATION AND COLLECTIONS  
FISCAL YEARS 2006-07 THROUGH 2010-11

Fiscal Year	Full Cash Value <sup>(1)</sup>	General Fund Secured Property Tax Levies	General Fund Secured Property Tax Collections <sup>(2)</sup>	Current Collection As a Percent of Levies %
2006-07	\$ 872,103,795,877	\$ 2,139,425,148	\$ 2,059,971,381	96.29%
2007-08	953,468,123,997	2,348,085,882	2,232,305,540	95.07%
2008-09	1,020,346,376,948	2,503,699,652	2,388,838,218	95.41%
2009-10	1,013,549,301,342	2,449,393,435	2,370,955,825	96.80%
2010-11	997,502,481,662	2,410,613,896 <sup>(3)</sup>	2,333,418,133 <sup>(3)</sup>	96.80%

(1) Full cash values reflect the equalized assessment roll as reported in August of each year; mid-year adjustments are reflected in the following year's values. Incremental full cash values of properties within project areas designated by community redevelopment agencies are excluded. See "Redevelopment Agencies".

(2) Reflects collection within the fiscal year originally levied.

(3) Preliminary estimate. Subject to change.

Source: Los Angeles County Auditor-Controller, Tax Division

### REDEVELOPMENT AGENCIES

The California Community Redevelopment Law authorizes the redevelopment agency of any city or county to issue bonds payable from their allocation of tax revenues resulting from increases in full cash values of properties within designated project areas. This allocation reduces the tax revenues the County and all other taxing agencies would otherwise receive.

The rate of growth in full cash values of these project areas, on an aggregate basis, is greater than the rate of growth in the balance of the County. Since these project areas are primarily in commercial and industrial areas, they have provided a significant impetus to the development and revitalization of the County's economic base. In addition, under State law, redevelopment projects must contribute a portion of the property tax funds they receive to increase the availability of housing for families with low and moderate income.

The following table shows full cash value increments and total tax allocations to community redevelopment agencies for the Fiscal Years 2006-07 through 2010-11.

COMMUNITY REDEVELOPMENT AGENCY (CRA)  
PROJECTS IN THE COUNTY OF LOS ANGELES  
FULL CASH VALUE AND TAX ALLOCATIONS  
FISCAL YEARS 2006-07 THROUGH 2010-11

Fiscal Year	Full Cash Value Increments <sup>(1)</sup>	Total Tax Allocations <sup>(2)</sup>
2006-07	\$ 111,226,063,567	\$ 1,039,226,436
2007-08	127,113,321,984	1,167,170,104
2008-09	142,705,432,962	1,279,129,462
2009-10	140,955,357,917	1,266,067,367
2010-11	136,964,953,487	0 <sup>(3)</sup>

(1) Equals the full cash value for all redevelopment project areas above their base year valuations. This data represents growth in full cash values which generates tax revenues for use by community redevelopment agencies.

(2) Includes actual cash revenues collected by the County and subsequently paid to redevelopment agencies, which includes incremental growth allocation, debt service, mid year changes and Supplemental Roll.

(3) Tax distribution for Fiscal Year 2010-11 has not occurred.

Source: Los Angeles County Auditor-Controller, Tax Division.

## CASH MANAGEMENT PROGRAM

County General Fund expenditures tend to occur in level amounts throughout the fiscal year. Conversely, receipts from the two largest sources of County revenues have followed an uneven pattern, primarily as a result of delays in payments from other governmental agencies and the final due dates for the first and second installments of secured property tax payments being due in December and April, respectively.

As a result of the uneven pattern of revenue receipts, the General Fund cash balance prior to Fiscal Year 1977-78 had typically been negative for most of the year and had been covered in part by interfund borrowings pursuant to Section 6 of Article XVI of the California Constitution. "Interfund borrowing" is borrowing from specific funds of other governmental entities whose funds are held in the County Treasury. Because such borrowings caused disruptions in the General Fund's management of pooled investments, beginning in 1977, the County eliminated the practice of interfund borrowing and replaced it with a program to manage its cash flow needs by issuing tax and revenue anticipation notes (TRANs) for the General Fund and by using intrafund borrowing.

The use of "intrafund borrowing" for General Fund purposes represents borrowing against funds that are held in trust by the County. Such funds, with the exception of the Hospital Enterprise Funds, are held by the County on a pre-apportionment basis until they are eventually distributed to County operating funds (such as the General Fund) or other governmental agencies. All intrafund borrowings used for General Fund purposes, and all notes issued in connection with the County's cash management program have been repaid in accordance with their required maturity dates.

## 2010-11 Tax and Revenue Anticipation Notes

Pursuant to California law and a resolution adopted by the Board of Supervisors on May 18, 2010, the \$1.5 billion 2010-11 TRANs are general obligations of the County attributable to the 2010-11 fiscal year and are secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys of the County.

Under the Resolution and Financing Certificate executed by the County Treasurer and Tax Collector, the County has pledged to deposit sufficient revenues into a Repayment Fund during Fiscal Year 2010-11 for the purpose of repaying the 2010-11 TRANs at maturity. The deposits will be made in accordance with the following schedule:

COUNTY OF LOS ANGELES 2010-11 TAX AND REVENUE ANTICIPATION NOTES SCHEDULE OF DEPOSITS TO REPAYMENT FUND*		
December, 2010	\$	465,000,000
January, 2011		405,000,000
February, 2011		150,000,000
March, 2011		120,000,000
April, 2011		387,623,056
Total	\$	1,527,623,056

\* Reflects a 2.0% interest rate and \$1.5 billion in 2010-11 Notes.

The County has always maintained full compliance with its deposit obligations with respect to its TRANs program. The following table illustrates the Unrestricted General Fund Receipts collected on a cash flow basis since Fiscal Year 2005-06.

## COUNTY OF LOS ANGELES GENERAL FUND UNRESTRICTED GENERAL FUND RECEIPTS (in thousands)

	2005-06	2006-07	2007-08	2008-09	2009-10	Estimated 2010-11
Property Taxes	\$ 2,933,232	\$ 3,426,681	\$ 3,568,098	\$ 3,867,816	\$ 3,768,220	\$ 3,667,542
Other Taxes	204,889	208,530	176,349	144,945	154,228	137,077
Licenses, Permits and Franchises	56,194	55,523	53,545	52,957	46,825	46,525
Fines, Forfeitures and Penalties	227,104	215,122	239,456	261,477	254,428	255,034
Investment and Rental Income	180,511	273,149	295,191	204,889	133,640	142,586
State In-Lieu Taxes	465,913	471,401	459,242	422,053	424,760	424,360
State Homeowner Exemptions	21,528	21,468	21,765	21,827	21,966	21,674
Charges for Current Services	1,314,525	1,474,540	1,516,390	1,671,756	1,673,098	1,585,827
Miscellaneous Revenue, incl. Tobacco Settlement	251,722	257,391	302,248	262,766	192,973	209,088.8
<b>TOTAL UNRESTRICTED RECEIPTS</b>	<b>\$ 5,655,618</b>	<b>\$ 6,403,805</b>	<b>\$ 6,632,284</b>	<b>\$ 6,910,486</b>	<b>\$ 6,670,138</b>	<b>\$ 6,489,714</b>

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller.

## **Intrafund and Interfund Borrowing**

To the extent necessary, the County intends to use intrafund (and not interfund) borrowing to cover its General Fund cash needs, including projected year-end cash requirements. Should the County find it necessary to resort to interfund borrowing, then such borrowing may not occur after the last Monday in April of each year and must be repaid before any other obligation of the County.

The County does not intend to engage in interfund borrowing for the General Fund nor has it done so since the implementation of the General Fund cash management program in Fiscal Year 1977-78.

### **Funds Available for Intrafund Borrowing**

After the tax and revenue anticipation note proceeds are utilized, the General Fund may borrow from three fund groups to meet its cash flow needs. The most significant group is the Property Tax Group, which consists of collected property taxes that are awaiting apportionment. The great majority of these amounts will be distributed to other governmental agencies such as school districts.

The second most significant borrowing source includes the various Trust Group funds. The largest of these funds is the Departmental Trust Fund, which consists of various collections, such as court fines and other revenues, awaiting distribution. The majority of these funds will eventually be distributed to entities outside the County. Also in this group is the Payroll Revolving Fund, which is used as a clearing account for County payroll operations and has a cash balance that consists exclusively (except for a small portion related to the County Superior Court) of advances from funds included in the General County Budget.

The last fund group consists of the Hospital Enterprise Funds. The balances in these funds are different from those in the Property Tax Group and Trust Group in that the Hospital Enterprise Funds are included in the General County Budget. Furthermore, these funds are considered as part of the General Fund for purposes of sizing the County's annual TRANs financing.

The Hospital Enterprise Funds generally represent working capital advances from the General Fund and cash generated from the County hospitals. At year-end, the remaining balances are transferred back to the General Fund. The one exception in this fund group is the ACO - Equipment Fund, which was established for the purpose of financing hospital equipment purchases at the LAC+USC Medical Center Replacement Facility. It is expected that this fund will be depleted in Fiscal Year 2010-2011 as the LAC+USC Medical Center has become fully operational.

The average daily balances shown for these intrafund sources are not necessarily indicative of the balances on any given day. The balances in certain funds, such as those in the Property Tax Group, can fluctuate greatly during the month. The General Fund cash balance also fluctuates during the month, with the third week being the lowest and month-end the highest due to the timing of State receipts and receipt of welfare advances on the last day of the month. The tables on the following pages indicate the average daily balances in each of the funds available for intrafund borrowing.

The legality of the County's practice of intrafund borrowing was decided and affirmed by the California Court of Appeals in May 1999, in the case entitled *Stanley G. Auerbach et al v. Board of Supervisors of the County of Los Angeles et al*.

The tables on pages A-25 through A-28 provide a monthly summary of the funds available to the County for intrafund borrowing in Fiscal Year 2009-10 and Fiscal Year 2010-11 through September 2010.

### **General Fund Cash Flow Statements**

The Fiscal Year 2009-10 General Fund Cash Flow Statement and the Fiscal Year 2010-11 General Fund Cash Flow Statement, with actual amounts through September 2010, are provided on pages A-31 through A-34. In Fiscal Year 2009-10, the County had an ending General Fund cash balance of \$727 million. For Fiscal Year 2010-11, the County is currently projecting a negative ending cash balance in the General Fund of \$82 million.



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**COUNTY OF LOS ANGELES BORROWABLE RESOURCES  
FUNDS AVAILABLE FOR INTRAFUND BORROWING**

**2009-10: 12 MONTHS ACTUAL  
2010-11: 3 MONTHS ACTUAL**

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**COUNTY OF LOS ANGELES BORROWABLE RESOURCES**
**AVERAGE DAILY BALANCES: Fiscal Year 2009-10**
**FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of \$)**

	July 2009	August 2009	September 2009	October 2009	November 2009	December 2009
<b>PROPERTY TAX GROUP</b>						
Tax Collector Trust Fund	\$ 169,018	\$ 58,452	\$ 49,172	\$ 172,421	\$ 1,053,812	\$ 2,464,823
Auditor Unapportioned Property Tax	295,548	215,969	223,660	306,785	562,345	388,075
Unsecured Property Tax	163,501	83,567	130,418	149,140	122,321	84,617
Miscellaneous Fees & Taxes	7,289	15,703	36,892	31,599	12,918	10,440
State Redemption Fund	60,243	121,910	124,767	121,343	106,071	68,323
Education Revenue Augmentation	4,278	21,108	0	0	1,389	136,373
State Reimbursement Fund	0	0	0	0	486	9,284
Sales Tax Replacement Fund	3,862	13,796	25,841	25,841	26,215	64,488
Vehicle License Fee Replacement Fund	21,187	75,687	141,762	141,762	143,818	353,780
Property Tax Rebate Fund	(6,480)	(23,339)	(25,804)	(43,520)	(55,694)	(26,774)
Utility User Tax Trust Fund	12,357	17,062	21,399	27,000	30,809	30,174
Subtotal	\$ 730,803	\$ 599,915	\$ 728,107	\$ 932,371	\$ 2,004,490	\$ 3,583,603
<b>VARIOUS TRUST GROUP</b>						
Departmental Trust Fund	\$ 455,977	\$ 451,248	\$ 412,273	\$ 427,360	\$ 407,649	\$ 402,324
Payroll Revolving Fund	129,608	122,987	125,919	122,635	142,889	121,972
Asset Development Fund	36,271	35,642	35,707	35,736	35,759	35,793
Productivity Investment Fund	8,465	8,440	8,454	8,465	8,493	8,184
Motor Vehicle Capital Outlays	2,431	2,390	2,432	2,432	2,432	2,400
Civic Center Parking	(11)	68	137	89	133	128
Reporters Salary Fund	998	1,021	808	616	588	1,005
Cable TV Franchise Fund	7,529	7,497	7,989	8,154	8,058	8,386
Megaflex Long-Term Disability	18,951	19,029	19,113	19,171	19,247	19,226
Megaflex Long-Term Disability & Health	3,972	4,048	4,117	4,196	4,267	4,338
Megaflex Short-Term Disability	17,587	17,990	18,347	18,693	19,011	19,275
Subtotal	\$ 681,778	\$ 670,360	\$ 635,296	\$ 647,547	\$ 648,526	\$ 623,031
<b>HOSPITAL GROUP</b>						
Harbor-UCLA Medical Center	\$ 1,063	\$ 1,261	\$ 2,352	\$ (520)	\$ 658	\$ 7
Olive View-UCLA Medical Center	1,163	3,887	3,822	1,125	1,754	(984)
LAC+USC Medical Center	(2,893)	4,128	(265)	1,736	1,619	(3,259)
MLK Ambulatory Care Center	(1,164)	(2,512)	1,459	1,271	640	(743)
Rancho Los Amigos Rehab Center	77	(1,758)	317	806	96	(761)
LAC+USC Medical Center Equipment	9,607	9,544	9,276	8,740	8,351	7,899
Subtotal	\$ 7,853	\$ 14,550	\$ 16,961	\$ 13,158	\$ 13,118	\$ 2,159
<b>GRAND TOTAL</b>	<b>\$ 1,420,434</b>	<b>\$ 1,284,825</b>	<b>\$ 1,380,364</b>	<b>\$ 1,593,076</b>	<b>\$ 2,666,134</b>	<b>\$ 4,208,793</b>

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller



January 2010	February 2010	March 2010	April 2010	May 2010	June 2010	
<b>PROPERTY TAX GROUP</b>						
\$ 1,026,720	\$ 437,671	\$ 542,437	\$ 1,462,059	\$ 658,674	\$ 120,996	Tax Collector Trust Fund
495,306	506,070	383,552	1,425,206	567,553	495,121	Auditor Unapportioned Property Tax
83,077	75,643	69,114	64,480	79,319	107,468	Unsecured Property Tax
9,462	8,287	8,001	8,399	8,095	7,806	Miscellaneous Fees & Taxes
57,105	32,675	27,555	26,233	29,044	21,182	State Redemption Fund
42,029	13,688	1,903	44,020	0	1,370	Education Revenue Augmentation
21,660	1,421	1,421	2,555	24,536	9,440	State Reimbursement Fund
112,009	58,277	64,314	88,588	87,726	0	Sales Tax Replacement Fund
528,946	127,347	172,470	353,898	467,950	3,064	Vehicle License Fee Replacement Fund
(17,936)	(17,236)	(26,074)	(28,958)	(30,751)	(16,590)	Property Tax Rebate Fund
28,817	32,686	38,437	41,611	33,090	10,036	Utility User Tax Trust Fund
\$ 2,387,195	\$ 1,276,529	\$ 1,283,130	\$ 3,488,091	\$ 1,925,236	\$ 759,893	Subtotal
<b>VARIOUS TRUST GROUP</b>						
\$ 419,247	\$ 422,358	\$ 464,173	\$ 432,298	\$ 415,335	\$ 411,210	Departmental Trust Fund
119,770	140,893	122,717	121,251	57,668	47,886	Payroll Revolving Fund
35,819	36,704	37,899	38,359	38,487	38,560	Asset Development Fund
7,904	7,464	7,416	7,625	7,301	6,976	Productivity Investment Fund
2,381	2,366	2,366	2,319	2,303	2,304	Motor Vehicle Capital Outlays
187	166	233	179	45	383	Civic Center Parking
877	756	730	890	477	989	Reporters Salary Fund
8,653	8,644	8,816	8,819	8,721	9,105	Cable TV Franchise Fund
						Megaflex Long-Term Disability
						Megaflex Long-Term Disability & Health
43,259	43,824	44,268	44,706	45,037	45,403	Megaflex Short-Term Disability
\$ 638,097	\$ 663,175	\$ 688,618	\$ 656,446	\$ 575,374	\$ 562,816	Subtotal
<b>HOSPITAL GROUP</b>						
\$ 1,247	\$ 413	\$ (2,283)	\$ (2,295)	\$ 2,663	\$ 612	Harbor-UCLA Medical Center
1,037	(513)	1,699	(2,545)	2,644	1,272	Olive View- UCLA Medical Center
(199)	4,226	583	(5,845)	5,058	2,442	LAC + USC Medical Center
343	(517)	(236)	(883)	(780)	(605)	MLK Ambulatory Care Center
(1,173)	460	263	(1,377)	556	126	Rancho Los Amigos Rehab Center
7,504	7,212	7,047	6,769	6,611	6,514	LAC+USC Medical Center Equipment
\$ 8,759	\$ 11,281	\$ 7,073	\$ (6,176)	\$ 16,752	\$ 10,361	Subtotal
<b>\$ 3,034,051</b>	<b>\$ 1,950,985</b>	<b>\$ 1,978,821</b>	<b>\$ 4,138,361</b>	<b>\$ 2,517,362</b>	<b>\$ 1,333,070</b>	<b>GRAND TOTAL</b>

**COUNTY OF LOS ANGELES BORROWABLE RESOURCES**
**AVERAGE DAILY BALANCES: Fiscal Year 2010-11**
**FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of \$)**

	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010
<b>PROPERTY TAX GROUP</b>						
Tax Collector Trust Fund	\$ 89,690	\$ 39,073	\$ 38,030			
Auditor Unapportioned Property Tax	380,463	214,996	171,119			
Unsecured Property Tax	167,122	66,662	132,197			
Miscellaneous Fees & Taxes	7,837	18,895	26,992			
State Redemption Fund	46,810	97,148	110,926			
Education Revenue Augmentation	9,300	15,780	0			
State Reimbursement Fund	0	0	0			
Sales Tax Replacement Fund	2,607	11,321	19,355			
Vehicle License Fee Replacement Fund	21,360	84,618	144,659			
Property Tax Rebate Fund	(8,794)	(25,317)	(40,774)			
Utility User Tax Trust Fund	6,239	6,144	6,378			
Subtotal	\$ 722,634	\$ 529,320	\$ 608,882	\$ -	\$ -	\$ -
<b>VARIOUS TRUST GROUP</b>						
Departmental Trust Fund	\$ 414,904	419,967.0	\$ 413,489			
Payroll Revolving Fund	50,613	61,932.0	47,449			
Asset Development Fund	38,660	38,673.0	38,776			
Productivity Investment Fund	6,671	6,456.0	6,387			
Motor Vehicle Capital Outlays	2,304	2,304.0	2,271			
Civic Center Parking	499	106.0	117			
Reporters Salary Fund	763	900.0	1,004			
Cable TV Franchise Fund	8,487	7,948.0	8,484			
Megaflex Long-Term Disability	19,220	19,243.0	19,207			
Megaflex Long-Term Disability & Health	4,944	5,031.0	5,104			
Megaflex Short-Term Disability	21,759	22,146.0	22,501			
Subtotal	\$ 568,824	\$ 584,706	\$ 564,789	\$ -	\$ -	\$ -
<b>HOSPITAL GROUP</b>						
Harbor-UCLA Medical Center	\$ 900	\$ 149	\$ 697			
Olive View-UCLA Medical Center	(1,019)	785	727			
LAC+USC Medical Center	(11,853)	(1,124)	(144)			
MLK Ambulatory Care Center	(2,124)	298	(377)			
Rancho Los Amigos Rehab Center	(263)	495	762			
LAC+USC Medical Center Equipment	6,147	6,047	6,043			
Subtotal	\$ (8,212)	\$ 6,650	\$ 7,708	\$ -	\$ -	\$ -
<b>GRAND TOTAL</b>	<b>\$ 1,283,246</b>	<b>\$ 1,120,676</b>	<b>\$ 1,181,379</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2011	February 2011	March 2011	April 2011	May 2011	June 2011	
<b>PROPERTY TAX GROUP</b>						
						Tax Collector Trust Fund
						Auditor Unapportioned Property Tax
						Unsecured Property Tax
						Miscellaneous Fees & Taxes
						State Redemption Fund
						Education Revenue Augmentation
						State Reimbursement Fund
						Sales Tax Replacement Fund
						Vehicle License Fee Replacement Fund
						Property Tax Rebate Fund
						Utility User Tax Trust Fund
\$	-	\$	-	\$	-	Subtotal
<b>VARIOUS TRUST GROUP</b>						
						Departmental Trust Fund
						Payroll Revolving Fund
						Asset Development Fund
						Productivity Investment Fund
						Motor Vehicle Capital Outlays
						Civic Center Parking
						Reporters Salary Fund
						Cable TV Franchise Fund
						Megaflex Long-Term Disability
						Megaflex Long-Term Disability & Health
						Megaflex Short-Term Disability
\$	-	\$	-	\$	-	Subtotal
<b>HOSPITAL GROUP</b>						
						Harbor-UCLA Medical Center
						Olive View-UCLA Medical Center
						LAC + USC Medical Center
						MLK Ambulatory Care Center
						Rancho Los Amigos Rehab Center
						LAC+USC Medical Center Equipment
\$	-	\$	-	\$	-	Subtotal
\$	-	\$	-	\$	-	<b>GRAND TOTAL</b>



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**COUNTY OF LOS ANGELES  
GENERAL FUND CASH FLOW STATEMENTS**

**2009-10: 12 MONTHS ACTUAL  
2010-11: 3 MONTHS ACTUAL**

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**COUNTY OF LOS ANGELES**  
**GENERAL FUND CASH FLOW ANALYSIS**  
**FISCAL YEAR 2009-10**  
(in thousands of \$)

	July 2009	August 2009	September 2009	October 2009	November 2009	December 2009
<b>BEGINNING BALANCE</b>	\$ 1,101,528	\$ 1,594,709	\$ 1,086,473	\$ 841,447	\$ 674,135	\$ 274,996
<b>RECEIPTS</b>						
Property Taxes	\$ 79,583	\$ 115,075	\$ 376	\$ 88	\$ 69,294	\$ 983,240
Other Taxes	5,528	9,741	7,515	7,220	7,349	21,717
Licenses, Permits & Franchises	1,415	5,760	4,800	1,249	1,650	3,022
Fines, Forfeitures & Penalties	34,446	26,342	13,649	13,789	27,311	12,669
Investment and Rental Income	23,307	10,478	9,500	6,896	13,929	7,794
Motor Vehicle (VLF) Realignment	26,443	31,890	55,330	39,908	29,418	34,368
Sales Tax Extension - Proposition 172	48,615	39,526	40,606	40,231	46,423	39,167
Sales Tax Allocation-Prog. Realignment	61,180	54,393	50,283	48,622	53,665	48,421
Other Intergovernmental Revenue	76,858	61,299	107,953	220,784	86,132	237,876
Charges for Current Services	139,195	129,588	86,544	109,392	154,809	171,547
Misc. Revenue & Tobacco Settlement	14,875	7,254	6,702	5,547	9,417	(1,694)
Transfers & Reimbursements	9,314	0	1,444	2,721	18,471	18,456
Hospital Loan Repayment	50,000	0	32,581	115,487	2,833	14,089
Welfare Advances	291,585	110,732	505,340	531,173	240,648	310,289
Other Receipts	93,439	10,520	4,654	6,869	25,489	13,776
Intrafund Transfers	0	0	0	0	0	0
TRANS Sold	1,300,000	0	0	0	0	0
Total Receipts	\$ 2,255,783	\$ 612,598	\$ 927,277	\$ 1,149,976	\$ 786,838	\$ 1,914,737
<b>DISBURSEMENTS</b>						
Welfare Warrants	\$ 192,946	\$ 228,934	\$ 187,924	\$ 223,912	\$ 213,085	\$ 207,709
Salaries	386,266	399,116	391,220	383,276	387,277	398,351
Employee Benefits	536,699	40,525	187,567	157,104	186,305	159,346
Vendor Payments	439,626	269,209	287,226	309,043	278,426	311,502
Loans to Hospital	0	0	0	6,244	52,013	161,932
Hospital Subsidy Payments	150,835	160,129	113,520	164,715	51,970	1,597
Transfer Payments	56,230	22,921	4,846	72,994	16,901	14,824
TRANS Pledge Transfer	0	0	0	0	0	403,000
Intrafund Repayment	0	0	0	0	0	0
Total Disbursements	\$ 1,762,602	\$ 1,120,834	\$ 1,172,303	\$ 1,317,288	\$ 1,185,977	\$ 1,658,261
<b>ENDING BALANCE</b>	\$ 1,594,709	\$ 1,086,473	\$ 841,447	\$ 674,135	\$ 274,996	\$ 531,472
Borrowable Resources (Avg. Balance)	\$ 1,420,434	\$ 1,284,825	\$ 1,380,364	\$ 1,593,076	\$ 2,666,134	\$ 4,208,793
<b>Total Cash Available</b>	\$ 3,015,143	\$ 2,371,298	\$ 2,221,811	\$ 2,267,211	\$ 2,941,130	\$ 4,740,265

January 2010	February 2010	March 2010	April 2010	May 2010	June 2010	Total 2009 -10
\$ 531,471	\$ 594,512	\$ 214,654	\$ (169,894)	\$ (90,175)	\$ 427,453	
\$ 821,688	\$ 151,670	\$ 14,357	\$ 596,935	\$ 929,754	\$ 6,160	\$ 3,768,220
8,214	6,660	4,849	21,873	7,981	45,581	154,228
996	6,397	6,238	10,550	2,265	2,483	46,825
12,998	31,946	18,801	16,062	31,922	14,493	254,428
8,987	10,646	11,339	9,133	11,792	9,839	133,640
31,753	32,315	32,819	39,623	31,840	39,053	424,760
43,794	56,702	43,461	36,492	51,190	41,079	527,286
52,206	71,131	53,896	42,131	63,546	50,726	650,200
87,841	120,782	235,004	201,725	158,770	222,787	1,817,811
128,601	83,146	128,120	252,146	99,628	190,382	1,673,098
12,241	4,970	12,618	98,954	10,728	11,361	192,973
30,093	6,975	8,715	7,165	10,286	24,074	137,714
210,418	36,206	94,066	162,917	45,778	479,860	1,244,235
333,295	271,854	265,552	380,231	403,073	457,115	4,100,887
10,565	7,953	35,211	132,192	13,856	25,742	380,266
0	0	0	0	0	0	1,300,000
0	0	0	0	0	0	
\$ 1,793,690	\$ 899,353	\$ 965,046	\$ 2,008,129	\$ 1,872,409	\$ 1,620,735	\$ 16,806,571
\$ 202,222	\$ 207,802	\$ 216,497	\$ 211,275	\$ 211,196	\$ 231,604	\$ 2,535,106
394,664	396,469	384,059	479,755	378,847	380,696	4,759,996
205,398	180,709	168,358	185,333	194,100	156,879	2,358,323
265,845	252,150	312,674	226,835	370,627	282,798	3,605,961
231,167	107,822	158,274	406,864	132,140	208,054	1,464,510
0	0	0	0	0	35,900	690,666
80,353	4,259	5,732	73,938	67,871	25,244	434,113
351,000	130,000	104,000	344,410	0	0	1,332,410
0	0	0	0	0		0
\$ 1,730,649	\$ 1,279,211	\$ 1,349,594	\$ 1,928,410	\$ 1,354,781	\$ 1,321,175	\$ 17,181,085
\$ 594,512	\$ 214,654	\$ (169,894)	\$ (90,175)	\$ 427,453	\$ 727,013	
\$ 3,034,051	\$ 1,950,985	\$ 1,978,821	\$ 4,138,361	\$ 2,517,362	\$ 1,333,070	
\$ 3,628,563	\$ 2,165,639	\$ 1,808,927	\$ 4,048,186	\$ 2,944,815	\$ 2,060,083	

**COUNTY OF LOS ANGELES**  
**GENERAL FUND CASH FLOW ANALYSIS**  
**FISCAL YEAR 2010-11**  
(in thousands of \$)

	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010
<b>BEGINNING BALANCE</b>	\$ 727,012	\$ 1,438,648	\$ 1,097,190	\$ 529,972	\$ (12,231)	\$ (183,729)
<b>RECEIPTS</b>						
Property Taxes	\$ 97,946	\$ 97,638	\$ 121			
Other Taxes	5,598	19,151	8,842			
Licenses, Permits & Franchises	2,339	6,934	3,307			
Fines, Forfeitures & Penalties	33,529	24,455	13,267			
Investment and Rental Income	22,740	8,603	6,772			
Motor Vehicle (VLF) Realignment	26,770	37,556	46,972			
Sales Tax Extension - Proposition 172	52,034	41,966	40,992			
Sales Tax Allocation-Prog. Realignment	64,439	64,139	50,224			
Other Intergovernmental Revenue	103,644	102,195	89,966			
Charges for Current Services	110,636	115,602	86,245			
Misc. Revenue & Tobacco Settlement	10,543	4,563	6,890			
Transfers & Reimbursements	7,003	1,442	5,078			
Hospital Loan Repayment	40,960	171,783	21,303			
Welfare Advances	182,656	301,799	278,348			
Other Receipts	213,484	19,063	7,232			
Intrafund Borrowings	0	0	0			
TRANS Sold	1,500,000	0	0			
<b>Total Receipts</b>	<b>\$ 2,474,321</b>	<b>\$ 1,016,889</b>	<b>\$ 665,559</b>	<b>\$ 919,150</b>	<b>\$ 967,879</b>	<b>\$ 2,150,171</b>
<b>DISBURSEMENTS</b>						
Welfare Warrants	\$ 194,893	\$ 212,117	\$ 201,988			
Salaries	382,098	397,636	380,087			
Employee Benefits	567,720	68,039	197,385			
Vendor Payments	423,446	351,442	297,977			
Loans to Hospitals	0	6,277	60,135			
Hospital Subsidy Payments	164,601	303,185	91,827			
Transfer Payments	29,927	19,651	3,378			
TRANS Pledge Transfer	0	0	0			
Intrafund Repayment	0	0	0			
<b>Total Disbursements</b>	<b>\$ 1,762,685</b>	<b>\$ 1,358,347</b>	<b>\$ 1,232,777</b>	<b>\$ 1,461,353</b>	<b>\$ 1,139,377</b>	<b>\$ 1,753,397</b>
<b>ENDING BALANCE</b>	<b>\$ 1,438,648</b>	<b>\$ 1,097,190</b>	<b>\$ 529,972</b>	<b>\$ (12,231)</b>	<b>\$ (183,729)</b>	<b>\$ 213,044</b>
Borrowable Resources(Avg. Balance)	\$ 1,283,246	\$ 1,120,676	\$ 1,181,379	\$ -	\$ -	\$ -
<b>Total Cash Available</b>	<b>\$ 2,721,894</b>	<b>\$ 2,217,866</b>	<b>\$ 1,711,351</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>





## COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (the Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the Treasury Pool). As of September 30, 2010, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in Billions)
County of Los Angeles and Special Districts	\$6.282
Schools and Community Colleges	13.113
Independent Public Agencies	2.143
Total	\$21.538

Of these entities, the involuntary participants accounted for approximately 90.05% and all discretionary participants accounted for 9.95% of the total Treasury Pool.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 30, 2010, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated October 29, 2010, the September 30, 2010 book value of the Treasury Pool was approximately \$21.538 billion and the corresponding market value was approximately \$21.670 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. The County Auditor-Controller's Office performs similar cash and investment reconciliation on a quarterly basis and regularly reviews investment transactions for conformance with the approved policies. Additionally, the County's outside independent auditor annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of September 30, 2010:

Type of Investment	% of Pool
U.S. Government and Agency Obligations	45.10
Certificates of Deposit	16.55
Commercial Paper	33.86
Bankers Acceptances	0.98
Municipal Obligations	0.12
Corporate Notes & Deposit Notes	3.39
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00

The Treasury Pool is highly liquid. As of September 30, 2010 approximately 46.97% of the investments mature within 60 days, with an average of 526.17 days to maturity for the entire portfolio.

The County complements its conservative investment policies with a well established practice of market research and due diligence. The Treasury Pool has not experienced a single investment loss since the onset of the global financial crisis in Fiscal Year 2008-09. Furthermore, the County Investment Officer has never purchased any structured investment vehicles nor any securities with material exposure to sub-prime mortgages. The Treasury Pool was also unaffected by the September 2008 bankruptcy of Lehman Brothers and does not have any outstanding exposure to Lehman Brothers investments.

## FINANCIAL STATEMENTS-GAAP BASIS

Since Fiscal Year 1980-81, the County has prepared its general purpose financial statements in conformity with Generally Accepted Accounting Principles (GAAP) for State and local governments and they have been audited by independent certified public accountants.

The basic financial statements for the Fiscal Year ended June 30, 2009, and the unqualified opinion of Macias Gini & O'Connell LLP are attached hereto as Appendix B. Since 1982, the County CAFRs have received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

The County's budget is prepared in accordance with the County Budget Act prior to the issuance of GAAP financial statements. The 2009-10 Final Adopted Budget included an available (unreserved and undesignated) General Fund balance of \$1,713,428,000 as of June 30, 2009.

The amounts presented for the General Fund in accordance with GAAP are based on the modified accrual basis of accounting and differ from the amounts presented on a budgetary basis of accounting. The major areas of difference are as follows:

- General Fund obligations for accrued vacation and sick leave and estimated liabilities for litigation and self-insurance are recorded as budgetary expenditures to the extent that they are estimated to be payable within one year after the preceding year-end. Under the modified accrual basis of accounting, such expenditures are not recognized until they become due and payable in accordance with GASB Interpretation No. 6.
- Under the budgetary basis, revenues (primarily intergovernmental) are recognized at the time encumbrances are established for certain programs and

capital improvements. The intent of the budgetary policy is to match the use of budgetary resources (for amounts encumbered but not yet expended) with funding sources that will materialize as revenues when actual expenditures are incurred. Under the GAAP basis, revenues are not recognized until the qualifying expenditures are incurred.

- Under the budgetary basis, property tax revenues are recognized to the extent that they are collectible within one year after the preceding year-end. Under the GAAP basis, property tax revenues are recognized only to the extent that they are collectible within 60 days.
- For budgetary purposes, investment income is recognized prior to the effect of changes in the fair value of investments. Under the GAAP basis, the effects of such fair value changes are recognized as a component of investment income.
- In conjunction with the issuance of Tobacco Settlement Asset-Backed Bonds, the County sold a portion of its future rights to tobacco settlement revenues. Under the budgetary basis, the bond proceeds were recognized as revenues. Under the modified accrual basis, the bond proceeds were recorded as a sale of future revenues and are being recognized over the duration of the sale agreement, in accordance with GASB Statement No. 48. This matter is discussed in further detail in Note 10 to the

2008-09 CAFR, under the caption, "Tobacco Settlement Asset-Backed Bonds."

- In conjunction with the sale of pension obligation bonds in 1994-1995, the County sold the right to future investment income on debt service deposits. Under the budgetary basis, the proceeds were included in 1994-1995 revenues. Under the GAAP basis, the proceeds were recorded as deferred revenue and are being amortized over the life of the bonds.
- In conjunction with the implementation of GASB 45, the County determined that certain assets were held by LACERA (the OPEB Agency) in an OPEB Agency Fund. For budgetary purposes, any excess payments (beyond the pay-as-you-go amount) are recognized as expenditures. Under the modified accrual basis, the expenditures are adjusted to recognize the OPEB Agency assets at June 30, 2009.

The following table provides a reconciliation of the General Fund's June 30, 2009 fund balance (unreserved and undesignated) on a budgetary and GAAP basis.

The tables on the following pages summarize the audited balance sheet for the General Fund since 2004-05 and provide a history of revenue and expenditure statement for the General Fund over the same period.

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COUNTY OF LOS ANGELES  
GENERAL FUND  
RECONCILIATION OF FUND BALANCE FROM BUDGETARY TO GAAP BASIS  
JUNE 30, 2009 (in thousands of \$)

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Actual Available (Unreserved and Undesignated) Fund Balance - Budgetary Basis	\$	1,713,428
Adjustments:		
Accrual of budgetary liabilities for litigation and self-insurance claims not required by GAAP		154,664
Recognition of Assets held by LACERA for future OPEB benefits		131,493
Accrual of liabilities for accrued vacation and sick leave not required by GAAP		46,797
Change in revenue accruals related to encumbrances		(24,645)
Deferral of property tax receivables		(103,552)
Deferral of unearned investment income		(1,143)
Deferral of sale of tobacco settlement revenue		(266,794)
Change in fair value of Investments		5,140
Available (Unreserved and Undesignated) Fund Balance - GAAP Basis	\$	1,655,388

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**COUNTY OF LOS ANGELES**
**BALANCE SHEET AT JUNE 30, 2005, 2006, 2007, 2008 and 2009.**
**GENERAL FUND-GAAP BASIS (in thousands of \$)**
**ASSETS**

	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009
Pooled Cash and Investments	\$ 2,134,177	\$ 2,506,016	\$ 2,668,854	\$ 2,343,525	\$ 1,841,579
Other Investments	6,594	6,502	6,400	6,236	6,099
Taxes Receivable	187,441	208,279	248,095	340,784	301,269
Other Receivables	1,102,712	1,285,684	1,357,683	1,804,965	1,907,656
Due from Other Funds	556,210	219,448	370,124	357,416	326,379
Advances to Other Funds	445,337	541,699	400,280	571,872	825,017
Inventories	39,713	42,562	42,561	43,906	46,486
Total Assets	\$ 4,472,184	\$ 4,810,190	\$ 5,093,997	\$ 5,468,704	\$ 5,254,485

**LIABILITIES**

Accounts Payable	\$ 241,753	\$ 272,245	\$ 300,087	\$ 252,794	\$ 247,337
Accrued Payroll	328,578	350,421	392,779	472,007	504,374
Other Payables	62,092	67,912	86,055	151,700	121,665
Due to Other Funds	1,001,456	800,615	602,358	561,540	495,105
Deferred Revenue	259,897	275,198	338,714	380,322	343,386
Advances Payable	235,029	286,860	278,023	263,500	361,964
Third-Party Payor liability	16,650	18,661	15,537	12,401	13,836
Total Liabilities	\$ 2,145,455	\$ 2,071,912	\$ 2,013,553	\$ 2,094,264	\$ 2,087,667

**EQUITY**

Fund Balance (Deficit)					
Reserved	\$ 400,627	\$ 422,055	\$ 478,280	\$ 597,466	\$ 539,851
Unreserved					
Designated	1,017,026	1,522,411	1,235,325	1,152,639	971,579
Undesignated	909,076	793,812	1,366,839	1,624,335	1,655,388
Total Unreserved	1,926,102	2,316,223	2,602,164	2,776,974	2,626,967
Total Equity	2,326,729	2,738,278	3,080,444	3,374,440	3,166,818
Total Liabilities and Equity	\$ 4,472,184	\$ 4,810,190	\$ 5,093,997	\$ 5,468,704	\$ 5,254,485

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2005, 2006, 2007, 2008 and 2009.

COUNTY OF LOS ANGELES

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND-GAAP BASIS FISCAL YEARS 2004-05 THROUGH 2008-09 (in thousands of \$)

	2004-05	2005-06	2006-07	2007-08	2008-09
<b>REVENUES:</b>					
Taxes	\$ 2,816,095	\$ 3,217,726	\$ 3,572,932	\$ 3,796,296	\$ 3,970,566
Licenses, Permits & Franchises	58,422	61,080	61,138	58,799	54,877
Fines, Forfeitures and Penalties	220,622	232,762	234,747	251,933	264,375
Use of Money and Property	103,863	226,005	294,511	280,803	183,772
Aid from Other Government	6,818,550	7,025,205	7,050,121	7,261,668	7,211,150
Charges for Services	1,272,536	1,357,380	1,467,608	1,695,004	1,654,173
Miscellaneous Revenues	207,201	211,059	189,636	282,818	198,837
<b>TOTAL</b>	<b>\$ 11,497,289</b>	<b>\$ 12,331,217</b>	<b>\$ 12,870,693</b>	<b>\$ 13,627,321</b>	<b>\$ 13,537,750</b>
<b>EXPENDITURES</b>					
General	\$ 634,113	\$ 751,214	\$ 854,052	\$ 919,534	\$ 946,008
Public Protection	3,239,152	3,473,835	3,855,819	4,222,644	4,420,786
Health and Sanitation	1,844,546	2,004,361	2,126,233	2,345,484	2,480,693
Public Assistance	4,257,038	4,333,920	4,410,224	4,619,225	4,796,019
Recreation and Cultural Services	172,338	197,749	217,221	231,584	242,999
Debt Service	256,826	285,640	294,301	308,207	247,248
Capital Outlay	7,329	22,533	818	97,270	772
<b>Total</b>	<b>\$ 10,411,342</b>	<b>\$ 11,069,252</b>	<b>\$ 11,758,668</b>	<b>\$ 12,743,948</b>	<b>\$ 13,134,525</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 1,085,947</b>	<b>\$ 1,261,965</b>	<b>\$ 1,112,025</b>	<b>\$ 883,373</b>	<b>\$ 403,225</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating Transfers from (to)					
Other Funds-Net	\$ (657,058)	\$ (874,946)	\$ (771,788)	\$ (780,902)	\$ (612,505)
Sales of Capital Assets	2,784	1,997	1,111	1,036	886
Capital Leases	7,329	22,533	818	97,270	772
<b>OTHER FINANCING SOURCES (USES)-Net</b>	<b>\$ (646,945)</b>	<b>\$ (850,416)</b>	<b>\$ (769,859)</b>	<b>\$ (682,596)</b>	<b>\$ (610,847)</b>
<b>Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses</b>	<b>\$ 439,002</b>	<b>\$ 411,549</b>	<b>\$ 342,166</b>	<b>\$ 200,777</b>	<b>\$ (207,622)</b>
<b>Beginning Fund Balance</b>	<b>1,887,727</b>	<b>2,326,729</b>	<b>2,738,278</b>	<b>3,173,663</b>	<b>3,374,440</b>
<b>Residual Equity Transfers from (to) Other Funds-Net</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Ending Fund Balance</b>	<b>\$ 2,326,729</b>	<b>\$ 2,738,278</b>	<b>\$ 3,080,444</b>	<b>\$ 3,374,440</b>	<b>\$ 3,166,818</b>

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2005, 2006, 2007, 2008 and 2009.

# DEBT SUMMARY

## INTRODUCTION

The County has issued various types of notes, bonds, and certificates to finance and refinance its cash management requirements, the replacement of essential equipment, and the acquisition, construction and/or improvement of governmental buildings and public facilities. The County has not entered into any swap agreements, or other similar interest rate derivative contracts, in connection with its outstanding debt.

## OUTSTANDING OBLIGATIONS

As of July 1, 2010, approximately \$805.3 million in intermediate and long-term obligations were outstanding. The General Fund is responsible for repayment of \$300.8 million of the outstanding debt. State and Federal subventions secured \$32.1 million in outstanding obligations. Revenues from special districts, special funds, enterprise funds, and trust funds secured the remaining \$472.4 million in outstanding obligations.

As of October 1, 2010, the General Fund was responsible for only \$77.6 million of the \$490.2 million in payments due in Fiscal Year 2010-11 for intermediate and long-term obligations. The table below identifies the funding sources for the debt payments due in 2010-11.

### COUNTY OF LOS ANGELES

#### ADDITIONAL FUNDING SOURCES FOR REPAYMENT OF COUNTY INTERMEDIATE AND LONG-TERM OBLIGATIONS

##### 2010-11 Payments

Funding Source	2010-11 Payment
Total 2010-11 Payment Obligation	\$490,152,096
Less: Sources of Non-General Fund Entities:	
Hospital Enterprise Fund	121,615,782
Courthouse Construction Funds	30,988,835
Special Districts/Special Funds	38,080,088
Trial Court Trust Fund	19,128,598
State & Federal Subventions	100,669,724
Net 2010-11 General Fund Obligation	\$179,669,069

Source: Los Angeles County Chief Executive Office

The principal amount of the outstanding General County intermediate and long-term debt obligations decreased to \$657.7 million as of October 1, 2010, which includes debt issuance and repayment activity in Fiscal Year 2010-11. An additional \$1.5 billion in TRANS, \$25.0 million in Bond Anticipation Notes, and \$330.0 million in Tax-Exempt Commercial Paper Notes were also outstanding as of October 1, 2010. The following table summarizes the outstanding General County debt and note obligations.

### COUNTY OF LOS ANGELES

#### SUMMARY OF OUTSTANDING PRINCIPAL

As of October 1, 2010 (in thousands)

Type of Obligation	Outstanding Principal
Total County	
Short-Term Obligations:	
Tax and Revenue Anticipation Notes	\$ 1,500,000.0
Bond Anticipation Notes	25,000.0
Intermediate & Long-Term Obligations	
Tax-Exempt Commercial Paper	330,000.0
Pension Obligations (1)	0.0
Lease Obligations	657,719.0
Total Outstanding Principal	\$ 2,512,719.0

(1) Does not include \$118.5 million in principal payments that were deposited with trustees in advance, but will not be disbursed to bondholders until June 30, 2011.

Source: Los Angeles County Chief Executive Office

The tables at the end of this section provide a detailed summary of the funding sources for the County's outstanding obligations and future debt service payments.

## SHORT-TERM OBLIGATIONS

### Tax and Revenue Anticipation Notes

In 1977, the County implemented a cash management program to finance its General Fund cash flow deficits, which occur periodically during the fiscal year. Since the program's inception, the County has annually sold varying amounts of tax anticipation notes and tax and revenue anticipation notes (including commercial paper).

Pursuant to a resolution adopted by the Board of Supervisors on May 18, 2010, the County issued \$1.5 billion of 2010-11 TRANS on July 1, 2010, with a maturity date of June 30, 2011. The 2010-11 TRANS are secured by a pledge of the first unrestricted taxes, income, revenue, and cash receipts received by the County during Fiscal Year 2010-11, in the amounts, and on the dates specified in the Cash Management Section of this Appendix A. Deposit obligations to the Repayment Fund for the 2010-11 TRANS will be satisfied in full as of April 2011.

## Bond Anticipation Notes

The County is currently utilizing the proceeds from the issuance of Bond Anticipation Notes ("BANs") to provide an interim source of funding for the acquisition of equipment on behalf of the County General Fund. The BANs are issued by the Los Angeles County Capital Asset Leasing Corporation ("LAC-CAL") and are purchased by the County Treasury Pool under terms and conditions established by the Board of Supervisors. The BANs are payable within three years of their initial issuance from the proceeds of long-term bonds or other available funds. Repayment is secured by lease agreements between the County and LAC-CAL and a pledge of the acquired equipment. As of October 1, 2010, \$25.0 million in BANs are outstanding. The County expects to repay the outstanding BANs in full with the proceeds of intermediate-term bonds to be issued by LAC-CAL on or before June 30, 2012.

## INTERMEDIATE AND LONG-TERM OBLIGATIONS

### General Obligation Debt

On June 11, 1987, the County issued \$96.0 million of direct, general obligation bonded indebtedness to fund the construction of adult and juvenile detention facilities. The bonds matured and were paid off on June 1, 2007. The County does not presently have any general obligation debt authorization.

### Commercial Paper Program

The County has authorized a maximum of \$400 million of Lease Revenue Commercial Paper Notes (the "Commercial Paper Notes") to finance construction costs on various capital projects. Repayment of the Commercial Paper Notes is secured by four Irrevocable, Direct-Pay Letters of Credit ("LOC") issued by JP Morgan Chase Bank, Bank of America, Wells Fargo Bank and Union Bank, and a lease-revenue financing structure between LAC-CAL and the County, which includes twenty-five County-owned properties pledged as collateral to support the LOC. The four LOC agreements, which expire on April 26, 2013, provide credit enhancement to support the issuance of both tax-exempt and taxable Commercial Paper Notes. As of October 1, 2010, \$330.0 million of tax-exempt Commercial Paper Notes are outstanding. The Commercial Paper Notes provide the County with a flexible and cost-effective source of financing to provide interim funding during the initial construction phase of a capital project, which may be refinanced with the issuance of long-term bonds upon completion.

### Pension Obligations

The County has periodically issued bonds or certificates to fund its UAAL for the retirement benefits of its employees. The obligation of the County to make payments with respect to these bonds and certificates represents an absolute and unconditional obligation imposed by law and is not limited to any special source of funds. As of October 1, 2010, the County had approximately \$118.5 million in outstanding bonds and certificates that were issued to finance to the UAAL of the Retirement Fund. In July 2010, the County deposited the final principal payment with the trustee in the approximate amount of \$118.5 million, which will be used to fund the final debt service payment for its maturing pension obligations on June 30, 2011.

### Lease Obligations

Since 1962, the County has financed its capital project and equipment replacement program through various lease arrangements with joint powers authorities and nonprofit corporations, which have issued lease revenue bonds or certificates of participation. As of October 1, 2010, approximately \$657.7 million in principal remained outstanding on such obligations. The County's

lease obligations are secured by revenues from various funding sources, including the General Fund, and are subject to annual appropriation. The 2010-11 Final Adopted Budget contains sufficient appropriations to fund the County's payment obligations in Fiscal Year 2010-11. The County's Board of Supervisors has never failed to appropriate sufficient funding for such obligations, nor has the County abated payments on any of its lease-revenue financings to date.

## DEBT RATIOS

The ratio of the General Fund's outstanding debt to total assessed valuations decreased from 0.116% in 2009 to 0.109% in 2010. The following table provides the ratio of the General Fund's outstanding debt to total assessed valuation over the past ten years.

### COUNTY OF LOS ANGELES

#### DEBT RATIOS - Principal as a percent of total valuation on July 1 INTERMEDIATE AND LONG-TERM OBLIGATIONS

Year	Outstanding Principal (1)	Total Assessed Valuation	% of Principal to Valuation
2001	\$3,703,638,147	\$567,296,327,872	0.653%
2002	3,404,067,514	605,942,874,836	0.562%
2003	3,093,060,550	656,073,063,881	0.471%
2004	2,785,149,946	709,671,759,735	0.392%
2005	2,387,949,433	783,342,364,874	0.305%
2006	1,789,004,365	872,103,795,877	0.205%
2007	1,444,326,104	953,468,123,997	0.151%
2008	1,385,613,183	1,020,346,376,948	0.136%
2009	1,178,437,056	1,013,549,301,342	0.116%
2010	1,085,297,030	997,502,481,662	0.109%

Source: Los Angeles County Chief Executive Office and Auditor-Controller

1. Includes Tax Exempt Commercial Paper

## DEBT SUMMARY TABLES

The tables on the following pages provide:

1. A summary of the combined principal and interest payments due on General County obligations and the aggregate principal outstanding for each fiscal year by obligation type;
2. A summary of the combined principal and interest payments due on General County obligations and the aggregate principal outstanding for each fiscal year by funding source;
3. A detail of the 2010-11 payments on General County obligations by funding source and debt issue;
4. A detail of the principal outstanding in 2010-11 on General County debt issues by funding source and debt issue;
5. A summary of the outstanding principal, future payments and current year payments due on General County obligations as of October 1, 2010 ; and
6. The County's overlapping debt statement as of October 1, 2010.





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**COUNTY OF LOS ANGELES  
DEBT SUMMARY TABLES**

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**REPORTS AS OF JULY 1, 2010**

**COMBINED PRINCIPAL AND INTEREST OBLIGATIONS AND OUTSTANDING PRINCIPAL**

**COMBINED PRINCIPAL AND INTEREST OBLIGATIONS AND OUTSTANDING PRINCIPAL BY FUNDING SOURCE**

**ENTIRE CURRENT FISCAL YEAR DEBT SERVICE OBLIGATIONS BY FUNDING SOURCE**

**OUTSTANDING PRINCIPAL BY FUNDING SOURCE**

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**REPORTS AS OF OCTOBER 1, 2010**

**SUMMARY OF OUTSTANDING GENERAL COUNTY OBLIGATIONS**

**ESTIMATED OVERLAPPING DEBT STATEMENT**

**COUNTY OF LOS ANGELES  
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS  
AS OF JULY 1, 2010**

<b>Fiscal Year</b>	<b>Pension Obligation Certificates</b>	<b>Other Bonds</b>	<b>Total Annual Debt Service</b>
2010-11	\$ 372,130,000	\$ 118,022,096	\$ 490,152,096
2011-12	-	108,691,151	108,691,151
2012-13	-	110,330,749	110,330,749
2013-14	-	92,176,678	92,176,678
2014-15	-	88,130,823	88,130,823
2015-16	-	70,608,481	70,608,481
2016-17	-	51,908,479	51,908,479
2017-18	-	40,415,028	40,415,028
2018-19	-	41,297,796	41,297,796
2019-20	-	42,193,494	42,193,494
2020-21	-	43,125,344	43,125,344
2021-22	-	44,105,663	44,105,663
2022-23	-	41,123,113	41,123,113
2023-24	-	16,943,875	16,943,875
2024-25	-	16,933,500	16,933,500
2025-26	-	16,929,000	16,929,000
2026-27	-	16,918,875	16,918,875
2027-28	-	16,906,750	16,906,750
2028-29	-	16,905,750	16,905,750
2029-30	-	16,893,613	16,893,613
2030-31	-	9,432,600	9,432,600
2031-32	-	9,431,488	9,431,488
2032-33	-	6,918,000	6,918,000
2033-34	-	6,918,750	6,918,750
2034-35	-	-	-
<b>Total</b>	<b>\$ 372,130,000</b>	<b>\$ 1,043,261,093</b>	<b>\$ 1,415,391,093</b>

**COUNTY OF LOS ANGELES  
OUTSTANDING PRINCIPAL OBLIGATIONS  
AS OF JULY 1, 2010**

<b>Fiscal Year</b>	<b>Pension Obligation Certificates</b>	<b>Other Bonds</b>	<b>Total Outstanding Principal</b>
2010-11	\$ 118,486,192	\$ 686,810,838	\$ 805,297,030
2011-12	-	606,562,754	606,562,754
2012-13	-	532,807,758	532,807,758
2013-14	-	454,942,515	454,942,515
2014-15	-	392,542,430	392,542,430
2015-16	-	332,205,289	332,205,289
2016-17	-	287,863,098	287,863,098
2017-18	-	261,578,779	261,578,779
2018-19	-	246,838,152	246,838,152
2019-20	-	231,520,857	231,520,857
2020-21	-	215,603,886	215,603,886
2021-22	-	190,725,000	190,725,000
2022-23	-	155,450,000	155,450,000
2023-24	-	121,425,000	121,425,000
2024-25	-	110,200,000	110,200,000
2025-26	-	98,410,000	98,410,000
2026-27	-	86,020,000	86,020,000
2027-28	-	73,005,000	73,005,000
2028-29	-	59,335,000	59,335,000
2029-30	-	44,965,000	44,965,000
2030-31	-	29,895,000	29,895,000
2031-32	-	21,735,000	21,735,000
2032-33	-	13,170,000	13,170,000
2033-34	-	6,750,000	6,750,000
2034-35	-	-	-

Source: Los Angeles County Chief Executive Office  
Note: Amounts do not include Tax Exempt Commercial Paper

**COUNTY OF LOS ANGELES**  
**COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE**  
**AS OF JULY 1, 2010**

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State/Federal Subvention	Total Annual Debt Service
2010-11	\$ 179,669,069	\$ 121,615,782	\$ 30,988,835	\$ 38,080,088	\$ 19,128,598	\$ 100,669,724	\$ 490,152,096
2011-12	52,887,005	21,038,605	31,546,195	3,219,346	-	-	108,691,151
2012-13	62,482,880	18,853,245	25,708,978	3,285,646	-	-	110,330,749
2013-14	44,406,911	17,098,477	27,323,569	3,347,721	-	-	92,176,678
2014-15	42,083,109	16,118,727	26,513,278	3,415,709	-	-	88,130,822
2015-16	27,014,874	14,471,134	25,636,390	3,486,084	-	-	70,608,481
2016-17	20,801,284	5,684,932	21,867,430	3,554,834	-	-	51,908,479
2017-18	19,814,394	-	16,975,475	3,625,159	-	-	40,415,028
2018-19	20,624,681	-	16,976,475	3,696,640	-	-	41,297,796
2019-20	21,454,019	-	16,965,725	3,773,750	-	-	42,193,494
2020-21	22,321,744	-	16,957,350	3,846,250	-	-	43,125,344
2021-22	23,224,363	-	16,954,300	3,927,000	-	-	44,105,663
2022-23	24,171,488	-	16,951,625	-	-	-	41,123,113
2023-24	-	-	16,943,875	-	-	-	16,943,875
2024-25	-	-	16,933,500	-	-	-	16,933,500
2025-26	-	-	16,929,000	-	-	-	16,929,000
2026-27	-	-	16,918,875	-	-	-	16,918,875
2027-28	-	-	16,906,750	-	-	-	16,906,750
2028-29	-	-	16,905,750	-	-	-	16,905,750
2029-30	-	-	16,893,613	-	-	-	16,893,613
2030-31	-	-	9,432,600	-	-	-	9,432,600
2031-32	-	-	9,431,488	-	-	-	9,431,488
2032-33	-	-	6,918,000	-	-	-	6,918,000
2033-34	-	-	6,918,750	-	-	-	6,918,750
2034-35	-	-	-	-	-	-	-
Total	\$ 560,955,819	\$ 214,880,900	\$ 442,497,825	\$ 77,258,227	\$ 19,128,598	\$ 100,669,724	\$ 1,415,391,093

**COUNTY OF LOS ANGELES**  
**OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE**  
**AS OF JULY 1, 2010**

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State/Federal Subvention	Total Outstanding Principal
2010-11	\$ 300,843,820	\$ 134,525,761	\$ 289,019,920	\$ 42,763,744	\$ 6,090,546	\$ 32,053,240	\$ 805,297,030
2011-12	221,999,861	83,036,248	271,616,645	29,910,000	-	-	606,562,754
2012-13	186,428,292	65,495,178	252,834,288	28,050,000	-	-	532,807,758
2013-14	140,450,877	49,377,538	239,074,099	26,040,000	-	-	454,942,515
2014-15	111,373,618	34,279,455	223,014,358	23,875,000	-	-	392,542,430
2015-16	84,203,277	19,440,996	207,011,017	21,550,000	-	-	332,205,289
2016-17	72,115,806	5,556,353	191,140,939	19,050,000	-	-	287,863,098
2017-18	66,818,779	-	178,385,000	16,375,000	-	-	261,578,779
2018-19	63,298,152	-	170,020,000	13,520,000	-	-	246,838,152
2019-20	59,820,857	-	161,225,000	10,475,000	-	-	231,520,857
2020-21	56,388,886	-	151,990,000	7,225,000	-	-	215,603,886
2021-22	44,695,000	-	142,290,000	3,740,000	-	-	190,725,000
2022-23	23,340,000	-	132,110,000	-	-	-	155,450,000
2023-24	-	-	121,425,000	-	-	-	121,425,000
2024-25	-	-	110,200,000	-	-	-	110,200,000
2025-26	-	-	98,410,000	-	-	-	98,410,000
2026-27	-	-	86,020,000	-	-	-	86,020,000
2027-28	-	-	73,005,000	-	-	-	73,005,000
2028-29	-	-	59,335,000	-	-	-	59,335,000
2029-30	-	-	44,965,000	-	-	-	44,965,000
2030-31	-	-	29,895,000	-	-	-	29,895,000
2031-32	-	-	21,735,000	-	-	-	21,735,000
2032-33	-	-	13,170,000	-	-	-	13,170,000
2033-34	-	-	6,750,000	-	-	-	6,750,000
2034-35	-	-	-	-	-	-	-

Source: Los Angeles County Chief Executive Office

Note: Amounts do not include Tax Exempt Commercial Paper

**COUNTY OF LOS ANGELES**  
**COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE**  
**AS OF JULY 1, 2010**

Title	Total Debt Service	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State / Federal Subvention
<b>Long-Term Obligations</b>							
Pension Obligation Certificates							
1994 Pension Ob Certs, Ser D: LACERA Funding	\$ 372,130,000	\$ 120,957,135	\$ 96,453,863		\$ 34,920,679	\$ 19,128,598	\$ 100,669,724
Total Pension Obligation Certificates	\$ 372,130,000	\$ 120,957,135	\$ 96,453,863	\$ 0	\$ 34,920,679	\$ 19,128,598	\$ 100,669,724
<b>Long-Term Capital Projects</b>							
1992 Lease Rev Refg Bonds, 1992 Master Refg Proj:							
Civic Center Heating & Refrigeration Plant	\$ -	\$ -					
Downey Courthouse	978,738			\$ 978,738			
Sheriffs Training Academy	814,593	814,593					
San Fernando Court	1,364,386			1,364,386			
Total 1992 Lease Rev Refg Bonds, 1992 Master Refg Proj	\$ 3,157,716	\$ 814,593	\$ 0	\$ 2,343,123	\$ 0	\$ 0	\$ 0
1993 COPs: Disney Parking Project	\$ 11,920,000	\$ 11,920,000					
1998 Refg COPs: Disney Parking Project	3,071,250	3,071,250					
2002 Lease Rev Bonds Ser A: Edmund D. Edelman Children's Court	3,627,675			\$ 3,627,675			
2002 Lease Rev Bonds Ser B:							
Downey Courthouse	320,365			320,365			
Sheriffs Training Academy	264,469	264,469					
San Fernando Court	442,967			442,967			
Total 2002 Lease Rev Bonds Ser B	\$ 1,027,800	\$ 264,469	\$ 0	\$ 763,331	\$ 0	\$ 0	\$ 0
2005 Lease Rev Refg Bonds Ser A:							
Music Center Improvements	\$ 770,493	\$ 770,493					
Alhambra Courthouse	584,704			\$ 584,704			
Burbank Courthouse	758,349			758,349			
Ameron Building (Sheriff Headquarters)	2,507,262	2,507,262					
Biscailuz Center	222,157	222,157					
Emergency Operations Center	1,963,478	1,963,478					
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	1,489,276		\$ 1,489,276				
Martin Luther King Medical Center - Trauma Center	6,230,310		6,230,310				
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	107,641		107,641				
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	4,397,293		4,397,293				
Rancho Los Amigos Medical Center - Parking Structure	1,641,994		1,641,994				
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	687,867		687,867				
San Fernando Valley Juvenile Hall	975,988	975,988					
LAC/USC Medical Center Marengo Street Parking Garage	2,600,185		2,600,185				
LAX Area Courthouse	6,943,875			6,943,875			
San Fernando Valley Courthouse (Chatsworth)	5,502,170			5,502,170			
Harbor Med Center E.P.S.	1,253,897		1,253,897				
Total 2005 Lease Rev Refg Bonds Ser A	\$ 38,636,939	\$ 6,439,377	\$ 18,408,463	\$ 13,789,099	\$ 0	\$ 0	\$ 0
2005 Lease Revenue Bonds: Calabasas Landfill Project	\$ 3,159,409				\$ 3,159,409		
2006 Lease Rev Refg Bonds Ser A:							
East Los Angeles Courthouse	\$ 1,224,313			\$ 1,224,313			
Lynwood Regional Justice Center	10,663,475	10,663,475					
Men's Central Jail - Twin Towers	10,061,300	10,061,300					
Pitchess Honor Rancho: Medium Security - N Facility Air Conditioning	419,625	419,625					
Pitchess Honor Rancho: Medium Security - N Facility Sewer System	127,950	127,950					
Pitchess Honor Rancho: Medium Security - N Facility Water Treatment	511,750	511,750					
Pitchess Honor Rancho: Medium Security - N Facility Debris Basin	117,700	117,700					
Pitchess Honor Rancho: Vehicle Maintenance Facility	301,925	301,925					
Men's Central Jail Parking Structure	1,356,125	1,356,125					
Hutton Building - Registrar / Recorder Headquarters	1,737,925	1,737,925					
Pomona Municipal Courthouse	281,775			281,775			
Pitchess Honor Rancho Laundry Expansion	135,425	135,425					
Pitchess Honor Rancho Visitors Center	333,025	333,025					
Mira Loma Men's Medium Security Facility	242,400	242,400					
Temple City Sheriff Station	575,175	575,175					
Van Nuys Courthouse	2,043,125			2,043,125			
Public Library Headquarters	0						
Total 2006 Lease Rev Refg Bonds Ser A	\$ 30,133,013	\$ 26,583,800	\$ 0	\$ 3,549,213	\$ 0	\$ 0	\$ 0
2006 Lease Rev Refg Bonds Ser B:	\$ 6,916,394			\$ 6,916,394			
Total Long-Term Capital Projects	\$ 101,650,195	\$ 49,093,488	\$ 18,408,463	\$ 30,988,835	\$ 3,159,409	\$ 0	\$ 0
Total Long-Term Obligations	\$ 473,780,195	\$ 170,050,624	\$ 114,862,326	\$ 30,988,835	\$ 38,080,088	\$ 19,128,598	\$ 100,669,724
<b>Intermediate-Term Obligations</b>							
Equipment							
2008 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	\$ 5,605,013	\$ 2,858,556	\$ 2,746,456				
2009 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	10,017,500	6,010,500	4,007,000				
Total Equipment	\$ 15,622,513	\$ 8,869,056	\$ 6,753,456	\$ 0	\$ 0	\$ 0	\$ 0
Taxable Bonds							
2009 Lease Rev Bonds Series 2009 (LA Opera)	\$ 749,389	\$ 749,389					
Total Intermediate-Term Obligations	\$ 16,371,902	\$ 9,618,445	\$ 6,753,456	\$ 0	\$ 0	\$ 0	\$ 0
Total Obligations	\$ 490,152,096	\$ 179,669,069	\$ 121,615,782	\$ 30,988,835	\$ 38,080,088	\$ 19,128,598	\$ 100,669,724

Source: Los Angeles County Chief Executive Office  
Note: Amounts do not include Tax Exempt Commercial Paper

COUNTY OF LOS ANGELES  
OUTSTANDING PRINCIPAL BY FUNDING SOURCE  
AS OF JULY 1, 2010

Title	Total Outstanding Principal	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State / Federal Subvention
<b>Long-Term Obligations</b>							
Pension Obligation Certificates							
1994 Pension Ob Certs, Ser D: LACERA Funding	\$ 118,486,192	\$ 38,512,752	\$ 30,710,910		\$ 11,118,744	\$ 6,090,546	\$ 32,053,240
Total Pension Obligation Certificates	\$ 118,486,192	\$ 38,512,752	\$ 30,710,910	\$ 0	\$ 11,118,744	\$ 6,090,546	\$ 32,053,240
<b>Long-Term Capital Projects</b>							
1992 Lease Rev Refg Bonds, 1992 Master Refg Proj:							
Civic Center Heating & Refridgeration Plant	\$ -	\$ -					
Downey Courthouse	950,000			\$ 950,000			
Sheriffs Training Academy	790,674	790,674					
San Fernando Court	1,324,326			1,324,326			
Total 1992 Lease Rev Refg Bonds, 1992 Master Refg Proj	\$ 3,065,000	\$ 790,674	\$ 0	\$ 2,274,326	\$ 0	\$ 0	\$ 0
1993 COPs: Disney Parking Project	\$ 34,515,838	\$ 34,515,838					
1998 Refg COPs: Disney Parking Project	58,580,000	58,580,000					
2002 Lease Rev Bonds Ser A: Edmund D. Edelman Children's Court	6,800,000			\$ 6,800,000			
2002 Lease Rev Bonds Ser B:							
Downey Courthouse	5,339,414			5,339,414			
Sheriffs Training Academy	4,407,809	4,407,809					
San Fernando Court	7,382,777			7,382,777			
Total 2002 Lease Rev Bonds Ser B	\$ 17,130,000	\$ 4,407,809	\$ 0	\$ 12,722,191	\$ 0	\$ 0	\$ 0
2005 Lease Rev Refg Bonds Ser A:							
Music Center Improvements	\$ 4,007,928	\$ 4,007,928					
Alhambra Courthouse	2,132,788			\$ 2,132,788			
Burbank Courthouse	3,943,580			3,943,580			
Ameron Building (Sheriff Headquarters)	9,156,254	9,156,254					
Biscailuz Center	813,569	813,569					
Emergency Operations Center	8,722,873	8,722,873					
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	6,608,777		\$ 6,608,777				
Martin Luther King Medical Center - Trauma Center	36,536,181		36,536,181				
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	381,502		381,502				
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	22,829,527		22,829,527				
Rancho Los Amigos Medical Center - Parking Structure	8,521,418		8,521,418				
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	2,514,283		2,514,283				
San Fernando Valley Juvenile Hall	5,722,423	5,722,423					
LAC/USC Medical Center Marengo Street Parking Garage	13,495,585		13,495,585				
LAX Area Courthouse	78,421,973			78,421,973			
San Fernando Valley Courthouse (Chatsworth)	64,450,062			64,450,062			
Harbor Med Center E.P.S.	2,401,277		2,401,277				
Total 2005 Lease Rev Refg Bonds Ser A	\$ 270,660,000	\$ 28,423,047	\$ 93,288,551	\$ 148,948,403	\$ 0	\$ 0	\$ 0
2005 Lease Revenue Bonds: Calabasas Landfill Project	\$ 31,645,000				\$ 31,645,000		
2006 Lease Rev Refg Bonds Ser A:							
East Los Angeles Courthouse	\$ 6,920,000			\$ 6,920,000			
Lynwood Regional Justice Center	49,205,000	49,205,000					
Men's Central Jail - Twin Towers	46,485,000	46,485,000					
Pitchess Honor Rancho: Medium Security - N Facility Air Conditioning	410,000	410,000					
Pitchess Honor Rancho: Medium Security - N Facility Sewer System	125,000	125,000					
Pitchess Honor Rancho: Medium Security - N Facility Water Treatment	500,000	500,000					
Pitchess Honor Rancho: Medium Security - N Facility Debris Basin	115,000	115,000					
Pitchess Honor Rancho: Vehicle Maintenance Facility	295,000	295,000					
Men's Central Jail Parking Structure	1,325,000	1,325,000					
Hutton Building - Registrar / Recorder Headquarters	4,945,000	4,945,000					
Pomona Municipal Courthouse	795,000			795,000			
Pitchess Honor Rancho Laundry Expansion	385,000	385,000					
Pitchess Honor Rancho Visitors Center	950,000	950,000					
Mira Loma Men's Medium Security Facility	685,000	685,000					
Temple City Sheriff Station	1,630,000	1,630,000					
Van Nuys Courthouse	12,755,000			12,755,000			
Public Library Headquarters	0						
Total 2006 Lease Rev Refg Bonds Ser A	\$ 127,525,000	\$ 107,055,000	\$ 0	\$ 20,470,000	\$ 0	\$ 0	\$ 0
2006 Lease Rev Refg Bonds Ser B:	\$ 97,805,000			\$ 97,805,000			
Total Long-Term Capital Projects	\$ 647,725,838	\$ 233,772,368	\$ 93,288,551	\$ 289,019,920	\$ 31,645,000	\$ 0	\$ 0
Total Long-Term Obligations	\$ 766,212,030	\$ 272,285,120	\$ 123,999,461	\$ 289,019,920	\$ 42,763,744	\$ 6,090,546	\$ 32,053,240
<b>Intermediate-Term Obligations</b>							
Equipment							
2008 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	\$ 5,470,000	\$ 2,789,700	\$ 2,680,300				
2009 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	19,615,000	11,769,000	7,846,000				
Total Equipment	\$ 25,085,000	\$ 14,558,700	\$ 10,526,300	\$ 0	\$ 0	\$ 0	\$ 0
Taxable Bonds							
2009 Lease Rev Bonds Series 2009 (LA Opera)	\$ 14,000,000	\$ 14,000,000					
Total Intermediate-Term Obligations	\$ 39,085,000	\$ 28,558,700	\$ 10,526,300	\$ 0	\$ 0	\$ 0	\$ 0
Total Obligations	\$ 805,297,030	\$ 300,843,820	\$ 134,525,761	\$ 289,019,920	\$ 42,763,744	\$ 6,090,546	\$ 32,053,240

Source: Los Angeles County Chief Executive Office  
Note: Amounts do not include Tax Exempt Commercial Paper

**COUNTY OF LOS ANGELES**  
**SUMMARY OF OUTSTANDING GENERAL FUND AND SPECIAL FUND OBLIGATIONS**  
**AS OF OCTOBER 1, 2010**

Title	Outstanding Principal	Total Future Payments	2010-11 FY Payment Remaining
<b>Long-Term Obligations</b>			
Pension Obligation Certificates			
1994 Pension Obligation Bonds, Series D (Variable Rate Bonds)	\$ 0 (1)	\$ 0 (1)	\$ 0 (1)
Total Pension Obligation Certificates	\$ 0	\$ 0	\$ 0
Long-Term Capital Projects			
1992 Lease Rev Refg Bonds, 1992 Master Refunding Project	\$ 3,065,000	\$ 3,157,716	\$ 3,157,716
1993 COPs: Disney Parking Project	32,674,019	153,515,000	5,960,000
1998 Refg COPs: Disney Parking Project	58,435,000	89,290,701	1,536,566
2002 Lease Rev Bonds Series A - Edmund D. Edelman Court Project Refunding	6,800,000	7,104,988	3,478,838
2002 Lease Rev Bonds Series B - 2002 Master Refunding Project	17,130,000	21,414,000	1,027,800
2005 Lease Rev Refg Bonds Series A - 2005 Master Refunding Project	270,660,000	366,796,554	38,636,939
2005 Lease Rev Bonds Series A - 2005 Calabasas Landfill Project	31,645,000	42,337,548	3,159,409
2006 Lease Rev Refg Bonds Series A - 2006 Master Refunding Project	102,785,000	115,608,575	2,399,769
2006 Lease Rev Refg Bonds Series B - 2006 Master Refunding Project	95,440,000	161,381,663	2,255,003
Total Long-Term Capital Projects	\$ 618,634,019	\$ 960,606,744	\$ 61,612,039
Total Long-Term Obligations	\$ 618,634,019	\$ 960,606,744	\$ 61,612,039
<b>Intermediate-Term Obligations</b>			
Equipment			
2008 Lease Rev Bonds Series A - LAC-CAL Equipment Program	\$ 5,470,000	\$ 5,605,013	\$ 5,605,013
2009 Lease Rev Bonds Series A - LAC-CAL Equipment Program	19,615,000	21,000,625	10,017,500
Total Equipment	\$ 25,085,000	\$ 26,605,638	\$ 15,622,513
Taxable Bonds			
2009 Lease Rev Bonds Series 2009 (LA Opera)	\$ 14,000,000	\$ 15,590,167	\$ 329,000
Total Intermediate-Term Obligations	\$ 39,085,000	\$ 42,195,804	\$ 15,951,513
Total Obligations	\$ 657,719,019	\$ 1,002,802,549	\$ 77,563,552
COPs = Certificates of Participation			
The Pension Obligation Certificates do not reflect principal and interest payment amounts remaining for FY 2010-11 that were deposited with the respective trustees in advance on July 15 or 30, 2010 as required by the individual Trust Agreements as follows:			
(1) \$118,486,192 in principal and \$253,643,808 in interest			
Source: Los Angeles County Chief Executive Office			
Note: Amounts do not include Tax Exempt Commercial Paper			

**COUNTY OF LOS ANGELES****ESTIMATED OVERLAPPING DEBT STATEMENT AS OF OCTOBER 1, 2010**

Full Cash Value (2010-11): \$926,404,454,179 (after deducting \$137,261,121,657 redevelopment incremental valuation; including unitary utility valuation)

	Applicable %	Debt as of 10/1/10
<b>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		
Los Angeles County Flood Control District	100.000 %	\$ 69,610,000
Metropolitan Water District	47.738	121,767,704
Los Angeles Community College District	100.000	3,536,745,000
Other Community College Districts	Various (1)	1,891,606,118
Arcadia Unified School District	100.000	171,179,433
Beverly Hills Unified School District	100.000	188,072,178
Glendale Unified School District	100.000	123,225,000
Long Beach Unified School District	100.000	491,060,606
Los Angeles Unified School District	100.000	11,596,250,000
Pasadena Unified School District	100.000	300,655,000
Pomona Unified School District	100.000	167,698,658
Santa Monica-Malibu Unified School District	100.000	229,595,034
Torrance Unified School District	100.000	178,908,540
Other Unified School Districts	Various (1)	2,637,459,401
High School and School Districts	Various (1)	1,304,746,928
City of Los Angeles	100.000	1,255,830,000
City of Los Angeles Special Tax Lease Revenue Bonds	100.000	58,010,000
City of Industry	100.000	156,770,000
Other Cities	100.000	80,480,000
Special Districts	100.000	6,520,000
Community Facilities Districts	100.000	810,803,527
Los Angeles County Regional Park & Open Space Assessment District	100.000	197,285,000
1915 Act and Benefit Assessment Bonds - Estimate	100.000	148,633,943
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$ 25,722,912,070</b>
<b>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>		
Los Angeles County General Fund Obligations	100.000 %	\$ 760,119,020
Los Angeles County Pension Obligations	100.000	118,486,192
Los Angeles County Office of Education Certificates of Participation	100.000	12,204,890
Community College District Certificates of Participation	Various (2)	74,542,000
Azusa Unified School District Certificates of Participation	100.000	67,435,000
Compton Unified School District Certificates of Participation	100.000	31,365,000
Los Angeles Unified School District Certificates of Participation	100.000	415,879,782
Pomona Unified School District Certificates of Participation	100.000	61,555,000
Other Unified School District Certificates of Participation	Various (2)	228,105,293
High School and School District General Fund Obligations	Various (2)	165,013,613
City of Beverly Hills General Fund Obligations	100.000	254,350,000
City of Los Angeles General Fund and Judgment Obligations	100.000	1,901,300,000
City of Long Beach General Fund Obligations	100.000	259,900,000
City of Long Beach Pension Obligations	100.000	62,775,000
City of Pasadena General Fund Obligations	100.000	365,420,440
City of Pasadena Pension Obligations	100.000	111,636,488
Other Cities' General Fund Obligations	100.000	1,329,952,705
Los Angeles County Sanitation Districts General Fund Obligations	100.000	325,115,935
Walnut Valley Water District General Fund Obligations	100.000	10,890,000
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>		<b>\$ 6,556,046,358</b>
Less: Los Angeles County Lease Revenue Bonds supported by landfill revenues		(18,838,269)
Los Angeles Unified School District Qualified Zone Academy Bonds supported by investment funds		(34,702,048)
Cities' self-supporting bonds		(169,621,093)
Walnut Valley Water District self-supporting General Fund Obligations		(10,890,000)
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>		<b>\$ 6,321,994,948</b>
<b>GROSS COMBINED TOTAL DEBT</b>		<b>\$ 32,278,958,428 (3)</b>
<b>NET COMBINED TOTAL DEBT</b>		<b>\$ 32,044,907,018</b>

- (1) All 100%, or almost 100%, except for Antelope Valley Joint Union High School and Community College District, Fullerton Union High School District, Las Virgenes Joint Unified School District, North Orange County Joint Community College District, and the schools and special districts included in them.
- (2) All 100%, or almost 100%, except for Fullerton Union High School District, Las Virgenes Joint Unified School District, Snowline Joint Unified School District, Victor Valley Joint Community College District, and the schools and special districts included in them.
- (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Except for Los Angeles Unified School District Qualified Zone Academy Bonds (QZABs) are included based on principal due at maturity.

**RATIOS TO 2010-11 ASSESSED VALUATION**

Total Direct and Overlapping Tax and Assessment Debt 2.420 %

**RATIOS TO FULL CASH VALUE (ADJUSTED ASSESSED VALUATION)**

Gross Combined Direct Debt (\$878,605,212)	0.090 %
Net Combined Direct Debt (\$859,766,943)	0.090 %
Gross Combined Total Debt	3.480 %
Net Combined Total Debt	3.460 %

**STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10:**

\$ 0

Source: California Municipal Statistics. The above report is included for general information purposes only. The County has not reviewed the debt report for completeness or accuracy and makes no representations in connection therewith.

# ECONOMIC AND DEMOGRAPHIC INFORMATION

## Economic Overview

With a 2009 Gross Domestic Product ("GDP") of \$499.8 billion, Los Angeles County's economy is larger than that of 44 states and all but 17 countries. Los Angeles County serves as the central trade district for the western United States and the U.S. gateway to the Asian economies, as it has evolved into a leader in international commerce and investments. The County's economy suffered in 2009 as a result of the severe global recession, with decrease of 2.69% in Gross Product. In 2010, an increase in economic activity in the entertainment, international trade, tourism, and retail sales sectors of the economy is indicative of a gradual economic recovery in the region.

The 2006 unemployment rate of 4.7% was the lowest in the County since 1988. An upward trend started in 2007, with a small increase in the unemployment rate to 5.1% followed by a more substantial increase to 7.5% in 2008. By the end 2009, 241,300 non-agricultural jobs were lost, causing the average unemployment rate to reach 11.6%. The unemployment rate is expected to peak in 2010 at a projected rate of 12.3%. The significant job losses in 2009 were partially offset by the positive impact of major public and private construction projects. With \$15 billion in voter approved school district bond measures, historically low interest rates and new capital financing programs and incentives provided by the Federal government under ARRA, local schools and community colleges have undertaken major capital construction projects. In July 2009, Measure R increased the County sales tax rate by one-half of one percent. The increase in sales tax revenue is providing funding for major highway and transit projects throughout the County. In addition, area hospitals are engaged in building programs to meet stricter earthquake standards and other regulatory requirements. These projects, combined with the terminal expansions under way at the two primary sea ports (Los Angeles and Long Beach) and the expansion of the Bradley International Terminal at the Los Angeles International Airport ("LAX"), have provided continued support to a struggling job market in the County.

In terms of its industrial base, diversity continues to be Los Angeles County's greatest strength, with wholesale and retail trade and manufacturing being the leading employment sectors. The Los Angeles Customs District ("LACD"), which includes LAX, Port Hueneme, Port of Los Angeles, and Port of Long Beach, is the largest customs district in the nation. In 2009, the LACD experienced a sharp decline of \$72.8 billion in the value of two-way trade to \$283 billion, representing a 20.5% decrease from the \$355.8 billion reported in 2008. The Los Angeles region has the largest manufacturing sector in the nation, with an estimated 389,000 workers employed in this sector of the economy in 2009.

## Quality of Life

### Higher Education

Los Angeles County is home to an extensive education system, with 120 colleges and university campuses, including UCLA; five state university campuses; 21 community colleges; prestigious private universities such as USC, Occidental and Claremont Colleges; religious-affiliated universities such as Pepperdine and Azusa Pacific; renowned technology schools such as the California Institute of Technology and the affiliated Jet Propulsion

Laboratory; and specialized institutions such as the California Institute of the Arts, the Art Center College of Design, the Fashion Institute of Design and Merchandising, and the Otis College of Art and Design.

### Culture

Los Angeles County is the cultural center of the western United States and has been referred to as the "entertainment capital of the world", offering world-class museums, theaters, and music venues. The County is home to the world's leading movie studios, television networks, recording studios video game developers and publishers, and artists, creating one of the largest concentrations of arts activity in the United States. The Performing Arts Center of Los Angeles County, which houses the Dorothy Chandler Pavilion, Ahmanson Theater, Mark Taper Forum and Walt Disney Concert Hall, is one of the three largest performing art venues in the nation.

Los Angeles County has among the largest number of museums per capita relative to other large metropolitan areas in the world. The area's museums showcase some of the world's finest collections of art, sculpture, manuscripts, and antiquities; as well as providing a historical overview of the area's ethnic heritage and experience. Major institutions include the acclaimed Los Angeles County Museum of Art, the Los Angeles County Museum of Natural History, the George C. Page Museum, the Anderson Gallery, the Norton Simon Museum, the J. Paul Getty Museum, the Museum of Contemporary Art, and the Huntington Library.

Los Angeles County features more musical and theatrical productions and has more weekly openings than most major cities in the world. The County is home to the Los Angeles Philharmonic Orchestra, which is recognized as one of the finest symphony orchestras in the world. The area also supports numerous regional orchestras such as the Long Beach Symphony, Pasadena Symphony, and Santa Monica Symphony orchestras.

### Recreation

Los Angeles County, due to its geographic size, location, topography, and mild climate with an average of 329 days of sunshine per year, offers a full spectrum of recreational activities that are enjoyed by residents and visitors on a year-round basis. The County owns and maintains the world's largest man-made recreational harbor at Marina del Rey, and manages 63,000 acres of parks, trails, natural habitat and the world's largest public golf course system. Each year, millions of people visit Los Angeles County's 31 miles of public beaches stretching along the County's 75-mile shoreline, and bike enthusiasts are able to enjoy the County's 22-mile beach bikeway.

Millions of visitors continue to enjoy the County's multitude of amusement parks, zoos, museums, theaters, motion picture and television studios, regional campgrounds and parklands, and world-renowned restaurants and retail centers. In addition, the County is the host to a number of major annual events such as the January 1st Rose Parade and Rose Bowl game, and the Academy Awards show. Los Angeles County has been a prior host to major sporting events such as the Summer Olympics, the World Cup, and the Super Bowl.



## Population

The County of Los Angeles is the most populous county in the U.S. with over 10.4 million people estimated to be residing within its borders. The County's population makes it equivalent to the eighth largest state in the nation and accounts for approximately 27% of the total population of California. The demographic profile of the County indicates that 47.7% of the population is Hispanic; 28.7% white non-Hispanic; 13.0% Asian-Pacific Islander; 8.5% African American; and 2.1% other races. The County is also home to the highest number of foreign-born residents in the nation and has the largest population of persons of Filipino, Guatemalan, Korean, Mexican, Salvadoran and Thai descent outside their native countries. With 97 consulates, Los Angeles has a larger consular corps than any other U.S. city outside of Washington D.C. with more than 220 languages and cultures represented across the County. It is estimated that 75% of the adult population has a high school diploma or higher, while 28% has a bachelor's degree or higher. Table B illustrates the recent historical growth of the County's population.

## Employment

The current economic downturn, which started in late 2007, has affected the entire nation and continues to have a significant adverse impact on the County economy. After experiencing a cyclical low of 4.7% in 2006, the unemployment rate climbed to 11.6% in 2009 and is projected to increase further to a peak of 12.4% in 2010. In comparison, the average unemployment rates for the State of California and the nation are projected to be 12.3% and 9.7%, respectively, in 2010. The aggregate projected job loss of 44,900 in 2010 will have varying degrees of impact on the diverse sectors of the local economy. The largest employment losses are projected in; manufacturing (-19,100); construction (-14,500); government (-7,500) and wholesale trade (-7,100). In terms of employment growth, the information sector, which includes the movie industry, is projected to add a substantial number of jobs (+21,300) in 2010, with more modest job growth in leisure & hospitality (+3,600), private education (+2,500), health services (+2,600), and the administration & support services (+600). Table F details the County's non-agricultural employment numbers by sector since 2005.

## Personal Income

The County's total personal income in 2009 of \$398 billion represents an estimated 25.5% of the total personal income generated in California. The sustained growth in personal income in past years came to an end in 2009 with a decline of -3.71%. The Los Angeles Economic Development Corporation ("LAEDC") is forecasting that personal income will regain momentum in 2010 with a projected increase of 1.8% in 2010 and 4.4% in 2011. Table C provides a summary of the personal income levels in Los Angeles County since 2005.

## Consumer Spending

Los Angeles County is a national leader in consumer spending. As reported by LAEDC, the County experienced a steady growth in taxable retail sales from 2000 to 2007, with an increase of 36.65%, to over \$96.1 billion in 2007. In 2008, taxable retail sales decreased by 6.5% to \$89.8 billion from 2007 levels. The downward shift in consumer spending continued at an accelerated pace in 2009, with a substantial decrease of 14% from the previous year. The \$77.3 billion of taxable retail sales in the County in 2009 represents over 25% of the total retail sales in California. Table D provides a summary of taxable retail sales activity in Los Angeles County since 2005.

## Industry

With approximately \$500 billion annual economic output, Los Angeles County continues to rank among the world's largest economies. Its 2009 Gross Product represents approximately 27.6% of the total economic output in California and 3.6% of the Gross Product of the United States. The County's business environment is distinguished by its diversity and balance and it is recognized as a world leader in the high-technology, electronics, energy, communications, and entertainment industries. Despite a loss of 45,300 manufacturing jobs in 2009, Los Angeles County is still considered the nation's largest manufacturing hub, with an estimated 389,000 workers employed in 2009. The largest components of the manufacturing sector include apparel, fabricated metal products, computer and electronics, and transportation equipment. According to the Kyser Center for Economic Research, the Los Angeles area is also "technology rich", with companies such as Lockheed Martin, Boeing and Northrop Grumman, and over 30,000 people working in computer systems design and software development.

## International Trade

Due to its strategic location, broad transportation network and extensive cargo facilities, Los Angeles County has become the international trade capital of the United States. Its seaports and the airport serve as the lifelines of Southern California's thriving international trade community. The value of two-way trade in the LACD experienced steady increase from 2001 to 2008, resulting in a record level of \$355.8 billion in 2008. As a result of the severe downturn in the global economy, the value of two-way trade experienced a significant decrease of -20.5% in 2009 to \$283 billion. Despite the decline, LACD maintained its ranking as the top customs district in the nation for international trade in 2009, with China, Japan, South Korea and Taiwan remaining its top trading partners. In a July 2010 report, LAEDC provides a positive outlook in 2010, with a forecasted increase in the value of international trade of 14%.

## Transportation/Infrastructure

Los Angeles County is one of the world's largest transportation centers. The region's ports, airports, integrated rail and highway facilities are part of an extensive transportation infrastructure that provides valuable service to residents, visitors, and industry. The additional revenue generated from the voter approved Measure R sales tax increase is intended to fund a projected \$40 billion of transportation projects throughout the County over the next 30 years, and create an estimated 210,000 new construction jobs.

### Airports and Harbors

All transcontinental airlines and many international carriers serve the Los Angeles area through major air terminals at LAX, Long Beach Airport and the Bob Hope Airport in Burbank. LAX is ranked as the seventh busiest airport in the world for passenger traffic, and is ranked 13th in the world as measured by the volume of air cargo tonnage, contributing \$61 billion to the local economy each year. In the May 2009 release of the U.S. Department of Transportation statistics, LAX ranked first among the nation's busiest airports for on-time performance for flight arrivals and departures. In 2009, LAX served 56.5 million passengers and handled 1.7 million tons of air cargo.

The Ports of Los Angeles and Long Beach are adjacent ports that encompass the nation's largest port complex in terms of annual cargo tonnage and container volume. The combined Los Angeles/Long Beach port complex has been the fastest growing

port facility in the United States, and the two ports are reported by LAEDC to be the largest port complex in the U.S. based on the volume of cargo handled in 2009, as measured by twenty-foot equivalent units ("TEUs"). The combined port complex, which handles nearly 40% of all the waterborne containerized cargo coming into the U.S., has become a powerful economic force in the region, with a direct connection to hundreds of thousands of jobs in Southern California and billions of dollars in state and local tax revenue.

The Port of Los Angeles is one of the largest man-made harbors in the world. As measured by annual container volume, it ranks as the busiest container port in the United States, and the 16th busiest in the world. The port facilities cover over 7,500 acres and include 43 miles of waterfront. The port has 27 major cargo terminals, including facilities to handle automobiles, containers, dry bulk and liquid bulk products. For the calendar year 2009, the port handled over 157 million metric revenue tons of cargo and 6.7 million TEUs, which represents a 14.0% decrease in container volume from 2008.

The Port of Long Beach is also among the world's busiest container ports, and ranks behind the Port of Los Angeles as the second busiest port in the nation, and the seventeenth busiest in the world. The port covers over 3,200 acres, with 10 piers, 80 berths and 71 cranes. In calendar year 2009, the port handled over 5.1 million TEUs of container cargo, which represents a decrease of 21.9% from 2008, the direct result of the global economic downturn and its adverse impact on the volume of trade moving through both ports.

As a result of stronger growth in the Asian economies and an increase in demand from U.S. manufacturers and retailers as they restock depleted inventories, the volume of trade at the combined port complex is showing significant signs of improvement in 2010. For the six-month period ended June 30, 2010, the total container volume from the two ports increased by 17% from the same period in 2009.

#### *Port Expansion*

The Ports of Los Angeles and Long Beach are currently in the process of major ongoing expansion programs that will facilitate further growth and expansion of trade activity. The expansion of port facilities will continue to have a positive economic impact on the region through the creation of new jobs in the trade-related sectors of the local economy. The various expansion related projects will enable the region to more effectively manage higher volumes of imports and exports and provide a faster and more efficient system for the transportation of cargo from the port complex to markets nationwide.

#### *Metro System*

The Metro System is a multi-modal and integrated passenger transportation system that provides service to the greater Los Angeles area. The Metro System was designed to meet the travel needs of the area's diverse population centers through a variety of transportation services that will be implemented over a 30-year period. The integrated Metro System is administered and operated by the Los Angeles County Metropolitan Transportation Authority ("MTA"), which is responsible for the planning, design, construction and operation of the public transportation system for Los Angeles County. The Fiscal Year 2010 operating budget for the MTA is \$3.827 billion, which is funded primarily through voter approved State and local sales taxes, State gasoline taxes, and various Federal, State and local grants.

#### **Visitor and Convention Business**

Tens of millions of visitors travel to Southern California each year, providing a significant contribution to the County's economy. According to the International Trade Administration, Office of Travel and Tourism Industries, the Los Angeles region is one of the top travel destinations in the United States, and the second ranked destination for international visitors behind only New York. In 2009, the Los Angeles region hosted an estimated 24.8 million overnight visitors, representing a 3.3% decrease from 2008. As reported by the Los Angeles Convention and Visitors Bureau, Los Angeles was the third ranked destination for overseas visitors, with international visitors spending amounting to \$3.6 billion. Direct visitor spending totaled \$11.8 when combined with domestic visitors spending. The opening of the convention center hotel in downtown Los Angeles is expected to trigger an increase in the visitor count to an estimated 25.1 million in 2010.

#### **Real Estate and Construction**

The residential housing market in Los Angeles County experienced a significant downturn starting in late 2007. The average median price for new and existing homes decreased by nearly 40% from a peak of \$532,281 in 2007 to \$321,550 in 2009. The significant decline in home values since 2007 helped to facilitate a 24% increase in the volume of home sales from 2008 to 2009, as homes became more affordable and buyers took advantage of historically low interest rates and various programs and incentives provided by the Federal government to help support the struggling housing market. Despite the increase in home sales, all of the major indicators for the housing market showed continued deterioration in 2009. Residential building permits and residential purchase lending decreased by 59% and 1%, respectively in 2009, and Notices of Default Recorded increased by 24.3% from 2008 to 2009.

The non-residential real estate sector, which struggled in 2008, experienced further difficulties in 2009, with a decrease in new construction and developers experiencing higher vacancy rates. The total non-residential building valuation of \$2.67 billion in 2009 represents a decrease of 40% from 2008. Construction lending experienced a significant decrease of 60% to \$1.4 billion over the same measurement period. Although there were major business expansions and construction projects in the County during 2009, which would normally indicate growth, the rise in vacancy rates for both the office and industrial markets (increases of 16.0% and 3.3%, respectively) are indicative of a struggling commercial real estate market. The decline in non residential building activity has continued in 2010, with the value of building permits projected to decrease by 3.6% to \$2.63 billion.

Despite the severe downturn in the housing market, Los Angeles County has maintained a stable assessed valuation. This is due in part to the significant "stored value" in secured property as a result of Proposition 13. The Los Angeles County Assessor's Annual Report for the Fiscal Year 2010-11 shows a total assessed valuation of \$1.042 trillion, representing a 1.9% decrease from the Fiscal Year 2009-10 Assessment Roll of \$1.062 trillion.

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COUNTY OF LOS ANGELES  
ECONOMIC AND DEMOGRAPHIC STATISTICAL TABLES

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GROSS PRODUCT

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INTERNATIONAL CONTAINER TRAFFIC AT MAJOR U.S. PORTS

REAL ESTATE AND CONSTRUCTION INDICATORS

BUILDING PERMITS AND VALUATIONS

LARGEST PRIVATE SECTOR EMPLOYERS

**TABLE A: GROSS PRODUCT OF LOS ANGELES COUNTY (in millions of \$)**

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Los Angeles County	\$418,700	\$446,800	\$508,000	\$513,600	\$499,800
State of California	1,628,000	1,727,400	1,798,300	1,846,800	1,812,400
United States	12,455,800	13,244,600	13,794,200	14,441,440	14,256,280
Los Angeles County as a % of California	25.72%	25.87%	28.25%	27.81%	27.58%

Source: Los Angeles Economic Development Corporation

**TABLE B: POPULATION LEVELS**

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Los Angeles County	10,185,800	10,216,700	10,252,200	10,341,400	10,409,000
State of California	38,899,400	37,274,600	37,674,400	38,134,500	38,487,900
Los Angeles County as a % of California	26.18%	27.41%	27.21%	27.12%	27.04%

Source: Los Angeles Economic Development Corporation

**TABLE C: TOTAL PERSONAL INCOME: HISTORICAL SUMMARY BY COUNTY (in millions of \$)**

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Los Angeles County	\$357,194	\$385,733	\$402,108	\$413,317	\$398,000
Orange County	139,408	150,598	153,839	155,118	147,982
Riverside and San Bernardino Counties	108,599	116,926	122,811	125,379	120,364
Ventura County	33,151	35,706	37,192	37,185	36,500
State of California	1,387,700	1,495,600	1,572,300	1,604,100	1,563,400
Los Angeles County as a % of California	25.74%	25.79%	25.57%	25.77%	25.46%

Source: Los Angeles Economic Development Corporation

**TABLE D: TAXABLE RETAIL SALES IN LOS ANGELES COUNTY (in millions of \$)**

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Los Angeles County	\$92,271	\$95,544	\$96,096	\$89,810	\$77,250
State of California	375,800	389,100	387,000	357,300	306,000
Los Angeles County as a % of California	24.55%	24.56%	24.83%	25.14%	25.25%

Source: Los Angeles Economic Development Corporation

**TABLE E: UNEMPLOYMENT RATES**

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Los Angeles County	5.4%	4.8%	5.1%	7.5%	11.6%
State of California	5.4%	4.9%	5.2%	7.2%	11.4%
United States	5.1%	4.6%	4.6%	5.8%	9.2%

Source: Los Angeles Economic Development Corporation

**TABLE F: ESTIMATED AVERAGE ANNUAL EMPLOYMENT IN LOS ANGELES COUNTY BY SECTOR****Non-Agricultural Wage and Salary Workers (in thousands)**

<b>Employment Sector</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Government	583.7	589.4	595.7	603.7	599.5
Wholesale & Retail Trade	633.7	649.0	653.0	640.2	590.7
Health Care & Social Assistance	373.9	379.3	387.5	398.3	402.4
Manufacturing	471.7	461.7	449.7	434.4	389.1
Leisure & Hospitality	377.8	388.6	397.9	401.6	383.9
Professional, Scientific & Technical Services	250.9	264.0	273.9	269.6	250.3
Administrative & Support Services	257.7	271.9	272.7	256.4	225.4
Information	207.6	205.6	209.8	210.3	193.7
Transportation & Utilities	161.7	165.2	165.6	163.1	151.7
Finance & Insurance	166.2	169.0	165.8	156.3	145.9
Construction	148.7	157.5	157.6	145.2	116.5
Educational Services	97.4	99.4	102.9	105.1	111.5
Real Estate	77.8	79.8	80.3	79.4	74.3
Management of Enterprises	67.6	63.0	58.8	56.7	52.4
Other	148.0	149.2	151.5	150.5	142.0
<b>Total</b>	<b>4,024.4</b>	<b>4,092.6</b>	<b>4,122.7</b>	<b>4,070.8</b>	<b>3,829.3</b>

Source: Los Angeles County Economic Development Corporation

**TABLE G: SUMMARY OF AIRPORT AND PORT ACTIVITY (in thousands)**

<b>Type of Activity</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
International Air Cargo (Tons)					
Los Angeles International Airport	1,123.9	1,113.6	1,138.6	996.5	916.0
As Percentage of Total Air Cargo	52.59%	52.95%	54.80%	55.47%	55.05%
Total Air Cargo (Tons)					
Los Angeles International Airport	2,137.2	2,103.1	2,077.5	1,796.5	1,663.9
Bob Hope Airport (Burbank)	48.0	52.2	48.7	38.9	40.3
<b>Total</b>	<b>2,185.1</b>	<b>2,155.3</b>	<b>2,126.3</b>	<b>1,835.5</b>	<b>1,704.1</b>
International Air Passengers					
Los Angeles International Airport	17,486.3	16,910.7	17,248.0	16,683.7	15,100.9
As Percentage of Total Passengers	28.44%	27.70%	27.62%	27.89%	26.72%
Total Air Passengers					
Los Angeles International Airport	61,489.5	61,041.1	62,438.6	59,820.8	56,520.8
Bob Hope Airport (Burbank)	5,512.6	5,689.3	5,921.3	5,331.4	4,588.4
<b>Total</b>	<b>67,002.1</b>	<b>66,730.4</b>	<b>68,359.9</b>	<b>65,152.2</b>	<b>61,109.2</b>
Container Volume (TEUs)					
Port of Los Angeles	7,484.6	8,469.9	8,355.0	7,850.0	6,749.0
Port of Long Beach	6,709.8	7,290.4	7,312.5	6,487.8	5,067.6
<b>Total</b>	<b>14,194.4</b>	<b>15,760.3</b>	<b>15,667.5</b>	<b>14,337.8</b>	<b>11,816.6</b>

Source: Los Angeles World Airports, LAX - Statistics; Burbank Airport - Statistics; Port of Los Angeles - Statistics; Port of Long Beach - Statistics

**TABLE H: VALUE OF INTERNATIONAL TRADE AT MAJOR CUSTOMS DISTRICTS (in millions of \$)**

Customs District	2005	2006	2007	2008	2009
Los Angeles, CA	\$291,600	\$326,400	\$347,300	\$355,800	\$283,000
New York, NY	267,200	294,700	323,600	353,400	266,700
Detroit, MI	230,000	239,800	248,900	236,400	169,900
Houston, TX	136,300	162,800	184,700	242,100	165,900
New Orleans, LA	127,400	149,900	172,700	214,200	149,600
Laredo, TX	138,700	156,000	166,400	173,300	146,000
Chicago, IL	108,400	120,800	132,900	153,300	127,900
Seattle, WA	95,400	108,500	119,400	120,400	101,300
Savannah, GA	72,200	82,100	93,400	101,000	87,200
San Francisco, CA	98,300	110,600	111,700	114,100	86,500

Source: Los Angeles Economic Development Corporation

**TABLE I: TOTAL TONNAGE OF MAJOR WEST COAST PORTS (in thousands)**

Port	2005	2006	2007	2008	2009
Los Angeles-Long Beach, CA	186,533	210,503	211,691	201,456	167,866
Tacoma, WA	34,193	32,516	33,753	34,701	28,701
Seattle, WA	29,515	28,692	29,514	28,416	27,872
Oakland, CA	27,831	28,597	29,449	26,731	25,070
Portland, OR	18,728	20,173	23,167	21,683	16,348
Kalama, WA	9,506	8,444	9,624	12,320	9,065
San Diego, CA	5,307	6,705	6,548	5,903	5,135
Vancouver, WA	4,101	5,441	6,173	5,557	3,506
Port Hueneme	4,042	4,603	3,971	3,571	2,998

Source: Los Angeles Economic Development Corporation

**TABLE J: INTERNATIONAL CONTAINER TRAFFIC AT MAJOR U.S. PORTS (in thousands)**

Port	2005	2006	2007	2008	2009
Los Angeles-Long Beach, CA	14,195	15,760	15,667	14,338	11,817
New York, NY	4,785	5,086	5,299	5,265	4,562
Savannah, GA	1,902	2,160	2,604	2,616	2,357
Oakland, CA	2,274	2,392	2,388	2,236	2,045
Houston, TX	1,594	1,607	1,772	1,795	1,797
Norfolk, VA	1,982	2,046	2,128	2,083	1,745
Charleston, SC	1,987	1,517	1,754	1,636	1,368
Seattle, WA	1,746	1,636	1,628	1,376	1,285
Tacoma, WA	1,401	1,552	1,403	1,348	1,076

Source: Los Angeles Economic Development Corporation

**TABLE K: REAL ESTATE AND CONSTRUCTION INDICATORS IN LOS ANGELES COUNTY**

Indicator	2005	2006	2007	2008	2009
1. Construction Lending (in millions)	\$ 6,986	\$ 8,435	\$ 6,886	\$ 3,520	\$ 1,417
2. Residential Purchase Lending (in millions)	\$ 62,485	\$ 57,046	\$ 38,388	\$ 22,256	\$ 22,111
3. New & Existing Median Home Prices	\$ 469,045	\$ 511,365	\$ 532,281	\$ 397,474	\$ 321,550
4. New & Existing Home Sales	132,535	109,212	74,917	65,278	81,072
5. Notices of Default Recorded	16,299	26,296	53,414	84,806	105,433
6. Unsold New Housing (at year-end)	1,115	3,630	4,273	3,117	1,629
7. Office Market Vacancy Rates	11.2%	9.4%	9.7%	12.2%	16.0%
8. Industrial Market Vacancy Rates	2.0%	1.5%	1.5%	2.2%	3.3%

Source: Real Estate Research Council of Southern California

**TABLE L: BUILDING PERMITS AND VALUATIONS**

	2005	2006	2007	2008	2009
Residential Building Permits					
1. New Residential Permits (Units)					
a. Single Family	11,911	10,097	7,509	3,539	2,131
b. Multi-Family	13,736	16,251	12,854	10,165	3,515
Total Residential Building Permits	25,647	26,348	20,363	13,704	5,646
Building Valuations					
2. Residential Building Valuations (in millions of \$)					
a. Single Family	\$ 2,916	\$ 2,561	\$ 2,048	\$ 1,134	\$ 798
b. Multi-Family	1,810	2,205	2,011	1,409	522
c. Alterations and Additions	1,962	1,982	1,898	1,411	1,073
Residential Building Valuations Subtotal	\$ 6,688	\$ 6,747	\$ 5,957	\$ 3,954	\$ 2,393
3. Non-Residential Building Valuations (in millions of \$)					
a. Office Buildings	\$ 233	\$ 241	\$ 716	\$ 446	\$ 192
b. Retail Buildings	552	482	493	469	222
c. Hotels and Motels	93	119	343	256	11
d. Industrial Buildings	277	182	109	135	40
e. Alterations and Additions	1,669	1,694	2,005	2,158	1,658
f. Other	1,000	1,178	1,073	1,027	551
Non-Residential Building Valuations Subtotal	\$ 3,824	\$ 3,896	\$ 4,739	\$ 4,491	\$ 2,674
Total Building Valuations (in millions)	\$ 10,512	\$ 10,643	\$ 10,696	\$ 8,445	\$ 5,067

Source: Real Estate Research Council of Southern California

**TABLE M: LARGEST PRIVATE SECTOR EMPLOYERS IN LOS ANGELES COUNTY**

Company (in order of 2009 Ranking)	Industry	Headquarters	No. of Employees	
			L.A. County	Total
1 Kaiser Permanente	Health Care Provider	Oakland, CA	34,179	165,189
2 Northrop Grumman Corp.	Aerospace/Defense Contractor	Los Angeles, CA	19,137	125,622
3 Boeing Co.	Aerospace/Defense Contractor	Chicago, IL	14,400	159,400
4 Kroger Co.	Grocery Retailer	Cincinnati, OH	14,000	326,000
5 University of Southern California	Education-Private University	Los Angeles, CA	13,044	13,044
6 Target Corp.	Retailer	Minneapolis, MN	13,000	351,000
7 The Home Depot	Home Improvement Specialty Retailer	Atlanta, GA	10,000	209,300
8 Providence Health & Services	Medical Centers	Seattle, WA	9,715	50,916
9 Vons	Grocery Retailer	Pleasanton, CA	9,688	187,808
10 Cedars-Sinai Medical Center	Medical Center	Los Angeles, CA	9,300	N/A
11 Wells Fargo	Diversified Financial Services	San Francisco, CA	9,100	269,900
12 ABM Industries, Inc.	Facility Services, Janitorial, Parking	San Francisco, CA	9,000	105,000
13 AT&T Inc.	Telecommunications	Dallas, TX	8,950	294,600
14 California Institute of Technology	Private University, Operator of Jet Propulsion Lab	Pasadena, CA	8,504	8,660
15 Fedex Corp.	Shipping and Logistics	Memphis, TN	8,500	N/A
16 Catholic Healthcare West	Hospitals	San Francisco, CA	7,275	55,018
17 Amgen Inc.	Biotechnology	Thousand Oaks, CA	6,500	16,700
18 Costco Wholesale	Membership Chain of Warehouse Stores	Issaquah, WA	5,587	147,370
19 Long Beach Memorial Medical Ctr.	Regional Hospital	Huntington Beach, CA	5,400	N/A
20 UPS	Transportation and Freight	Atlanta, GA	5,100	425,000
21 JP Morgan Chase	Banking and Financial Services	New York, NY	4,700	220,255
22 Childrens Hospital Los Angeles	Hospital	Los Angeles, CA	4,211	4,211
23 Toyota Motor Sales U.S.A. Inc	Sales, Distribution, Customer Service	Torrance, CA	4,200	35,838
24 Adventist Health	Hospitals	Roseville, CA	3,804	17,753
25 Time Warner Cable	Cable Provider	Stamford, Conn.	3,100	N/A

N/A - Not Available

Source: Los Angeles Business Journal